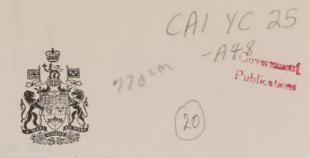


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FIRST SESSION-THIRTIETH PARLIAMENT

1974

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

LIBPAR

UNIVERSITY OF TORONTO

Issue No. 1

THURSDAY, OCTOBER 31, 1974

First Proceedings on Bill S-6, intituled:
"An Act to amend the Canadian Wheat Board Act"

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman

The Honourable J. Hervé Michaud, $Deputy\ Chairman$

The Honourable Senators:

Argue Laing Benidickson McElman Blois McGrand Côté McNamara *Flynn Michaud Fournier Molgat (Restigouche-Norrie Gloucester) *Perrault Haig Sparrow Hays Welch Inman Williams Lafond Yuzyk

*Ex officio member

20 MEMBERS

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 23rd, 1974:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Buckwold, seconded by the Honourable Senator Carter, for the second reading of the Bill S-6, intituled: "An Act to amend the Canadian Wheat Board Act".

After debate, and-

The question being put on the motion, it was—Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Buckwold moved, seconded by the Honourable Senator Carter, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier,

Clerk of the Senate.

Minutes of Proceedings

Thursday, October 31, 1974.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day, at 10.00 a.m. to consider Bill S-6, *intituled*: "An Act to amend the Canadian Wheat Board Act".

Present: The Honourable Senators Argue (Chairman), Benidickson, Blois, Lafond, McGrand, McNamara, Michaud (Deputy Chairman), Norrie, Sparrow and Williams. (10)

Present but not of the Committee: The Honourable Senators Buckwold, Greene, McDonald and Molson. (4)

The following witnesses were heard:

Mr. C. F. Edwards—
President—
Dominion Malting Limited;
Director—
Brewing and Malting, Barley Research Institute.

Mr. D. W. Elliot— Manager— Grains Division. Canada Malting Limited; Director— Brewing and Malting Barley Research Institute.

Mr. W. W. Sisler— Managing Director— Brewing and Malting Barley Research Institute.

Mr. H. F. Graesser— President— Canada Malting Limited; Past-President— Brewing and Malting Barley Research Institute.

At 11.10 a.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, October 31, 1974.

The Standing Senate Committee on Agriculture, to which was referred Bill S-6, to amend the Canadian Wheat Board Act, met this day at 10 a.m. to give consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we are delighted to have with us Mr. C. F. Edwards, President, Dominion Malting Limited, and a director of the Brewing and Malting Barley Research Institute.

The Senate standing committee on Agriculture is here to serve, and we are delighted to hear maltsters on this subject, or any other organization in Canada which might be interested in any aspect of agriculture and which might wish to make a submission to the Senate committee.

We have no power by ourselves, of course, to amend legislation, though we can make recommendations, we can initiate legislation, or we can make amendments to bills before the committee. I notice your suggestion that we might move an amendment to the bill before the committee to amend the Wheat Board Act. My off-hand opinion on that would be that under our rules such a motion may be out of order. The Wheat Board Act itself is opened up, but an amendment would have to relate to the amendments to the act that are before us rather than to merely the Act itself; but that does not detract from the points you are making, nor does it in any way prevent the Senate committee from doing its job on this subject, if it feels that certain action should be taken. So, without further ado, I call on Mr. Edwards. I expect he will introduce the gentlemen who are with

Mr. C. F. Edwards, President, Dominion Malting Limited: Thank you, Mr. Chairman and honourable Senators.

I should begin by thanking you very much for giving us the opportunity to be here today. I think you are pretty good guessers with regard to some of our reasons—I perhaps should not say "reasons" but the initiation of our being here.

I would like to introduce the gentlemen with me. First of all, there is Mr. H. F. Graesser, who is the immediate Past President of the Institute and the President of Canada Malting Company Limited. Next to him is Mr. Doug Elliott, a director of the Institute and the manager of the Grains Division of Canada Malting Company Limited. At the far end is Mr. Bill Sisler, who is the managing director of the Brewing and Malting Barley Research Institute.

We are here today to present our brief on behalf of the Institute. The Institute is sponsored and financed by the brewing and malting industries of Canada. We, as you will note, are predominantly from the malting industry. We are here because we have the initial contact in the marketing of malting barley, but we also represent the brewers, who are equally concerned about some of the problems that exist.

The primary objective of the Institute is the development of superior varieties of malting barley in the expectation that they will be widely grown and available for use by industry. Since 1948 the Institute has devoted a great deal of money and effort in furtherance of this objective. Certainly the objective represents the self-interest of our industries, but it is only attainable because it is also in the interests of Canadian farmers. Partially due to the assistance provided by industry, varieties of barley which combine malting quality with high yield per acre have been developed. These varieties are now widely grown and are equally suited for malting or for livestock feeding purposes.

Obviously the first basic requirement of barley, if it is to be purchased for malting, is that it be of a suitable variety; but, in addition, quality of requirements in barley purchased for malting include a high percentage of germination, moderate protein content, plump kernels and freedom from severe weather damage. To obtain barley of this special quality, maltsters and exporters pay a premium above the feed barley price.

Because of the generally poor quality of this year's crop, due to weather conditions during 1974, and because of the strong world demand for malting barley, prices and premiums have been at record levels. In recent months the premium paid for malting barley has been approximately 40 cents per bushel over the price for No. 1 feed barley sold for feeding purposes. In addition, purchasers pay a 15 cent per bushel premium directly to the grower.

Senator Benidickson: Who gets the 15 cents?

Mr. Edwards: The producer of the barley. It is paid from the purchaser through a grain company and goes directly to the farmer.

Despite the availability of suitable varieties which perform well for the grower, and the high prices being paid by the maltster, we find this year that large volumes of malting quality barley are being sold at lower prices for feeding purposes. This situation, combined with the generally low quality of the 1974 crop, has resulted in a serious shortage in the supply of malting barley for domestic use and for export.

We have, on a number of occasions in the past, expressed our concern that the prices paid by maltsters are not fully reflected in returns to growers of malting barley because of inadequacies in the Canadian Wheat Board pooling system. Although demand may result in high prices to the buyer, those high prices do not necessarily reach the producer, and therefore do not encourage delivery of high quality barley to the malting market.

We have been informed that a change in the pooling system for barley used for malting is not possible under the present Canadian Wheat Board Act. Because an amendment to this act is now before this committee, we suggest that consideration be given to a further amendment to permit the separate pooling of malting barley revenues. This request is made because the problems created by the present system have now become critical, in our opinion. Under the Canadian Wheat Board Act, revenues from all barley sales are pooled. Payments to producers are based on official grade as established by the Canadian Grain Commission. Malting barley, on the other hand, is purchased on a sample basis and not entirely on the basis of official grade. Some barley within a grade will be selected for malting and purchased at a premium price. Other lots of barley of the same grade may not be selected because they are less suitable for malting purposes.

Growers of barley used for malting are deprived of a portion of the revenues obtained from the sale of their barley, because this revenue is pooled with that from sales of barley used for feed. These growers not only have their returns diluted in this way but also they are assessed a share of carrying charges which are not incurred in the marketing of malting barley.

In 1974, the present pooling system and the shortage of quality barley has created a very serious situation. Many producers are aware of the dilution of revenue from sales of malting barley which results from the present pooling system. They compare the immediate availability of high prices for domestic feed barley with the very low initial price for malting barley. Growers have little indication from the low initial payment, and no assurance from the present pooling system, that they will eventually receive the attractive prices being paid by purchasers of malting barley. As a result, a substantial portion of the very limited supply of good quality barley has gone to the feed market this year. We face an illogical situation in which maltsters, in order to maintain processing operations, are paying premium prices for barley of minimum malting quality while producers are selling higher quality barley at lower—but visible and immediate—prices for feed.

A marketing system that is responsive to demand and price could work to the greatest advantage of both barley producers and the brewing and malting industry. Malting barley is a premium quality product which commands premium prices in domestic and export markets, and is one which is purchased on a continuing basis. The domestic market is expanding at a moderate, steady rate. There are now real opportunities for significant expansion of export markets for both malting barley and malt. We might point out that in our opinion it is reasonable to facilitate and promote the processing of this barley in Canada so that exports are largely in the form of processed goods rather than raw materials.

To summarize: Quality malting barley is being produced in Canada. Serious problems in assuring the availability of this barley in the marketplace have been encountered by industry. The producer is not being properly compensated for the market value of his product.

This situation is directly related to the failure of the present pooling system to transmit to the grower's pocket the total premium price paid for his malting barley. A legislative solution would be to amend the Canadian Wheat Board Act to permit establishment of a separate malting barley pool.

We thank you very much for the opportunity to make our presentation, and if there are any questions my colleagues and I will do our best to answer them.

The Chairman: Thank you very much, Mr. Edwards. I would just like to ask one question, and then I will turn it over to the members of the committee.

I do not dispute anything you have said in your brief. What I would point out is that when the Wheat Board makes its final payments for the various grades of barley, at least to some extent, there seems to be a taking into account of the higher prices they receive for barley of the higher grades. You have not said that that is not correct, but I just point out that in the case of, for example, No. 1 feed barley, the final realized price—and this is in the 1972/73 pool account—was \$1.46 and a fraction, and for No. 2 CW, \$1.57 approximately, so there is some increase; but I believe your point to be that that is not the full amount of the premium for malting barley. There is some reflection, but only some.

Mr. Edwards: Yes; not a full reflection of the differential.

The Chairman: Senator McDonald?

Senator McDonald: How much barley does the malting industry use, on average, per year?

Mr. Edwards: Well, currently the domestic malting industry would use about 30 million bushels. The export market for malting barley is variable, but I think that in the last year it has been in the range of 20 million bushels. In this particular year, if we had the supplies available, it could be a very high figure. My colleagues might correct me, but I think 50 million would be a reasonable figure.

Senator McDonald: The 20 million bushels you mentioned, is that normally exported as grain, or...?

Mr. Edwards: As grain. The 30 million that is used by the domestic malting industry includes malt for the domestic brewing and distilling and food industries, and for malt exports. Malt exports are in the range of 8 million, but the additional 20 million or more is exported as raw barley, malting barley to be malted in other countries.

Senator McDonald: The portion that is exported in the form of grain, there is a 15 cent premium on that—is that right?

Mr. Edwards: Yes.

Senator McNamara: That 15 cent premium is on the domestic portion, too; it is not on the export only.

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Mr. Edwards: The premium is for the farmers.

Senator McDonald: The 15 cent premium is paid by the malting industry for barley used for malting in Canada—I understand that—but is the 15 cents paid on the 20 million that is exported?

Mr. Edwards: As long as it is selected in the normal course of events by a farmer. A farmer obtains a permit for delivery of malting barley to an exporter or a malt-ster.

Senator McDonald: This barley that is exported for malting purposes is exported through the Canadian Barley Institute?

Mr. Edwards: No. It could be exported by any one of the exporting organizations, which include the three pools, the United Grain Growers, Pioneer Grain, Cargill and National, or it could be through an exporter such as Bunge or Continental.

Senator McDonald: Normal grain handling facilities?

Mr. Edwards: Yes.

Senator McDonald: They pay the extra 15 cents?

Mr. Edwards: Yes, as long as it is selected from the farmer and the farmer is selling it as malting barley.

The Chairman: Would some of that 20 million bushels in fact not have the 15 cents paid on it?

Mr. Edwards: The situation that occurs in a year such as this is, as we point out, in many cases the farmer does not feel he has the incentive to market his barley directly to a maltster or exporter. It may be delivered to a country elevator as feed barley. In those cases, because of the shortage there will be a tendency on the part of the country elevator operation to segregate that barley, and it will be transferred to the Wheat Board and be sold to a maltster or exporter. There will be a 15 cent premium paid, but in that case it will only go into a pool, because the individual farmer cannot be identified.

Senator McDonald: This is what I was getting at. According to the knowledge I have, whether it be right or wrong, there is a good percentage of that in respect of which the producer of the barley does not get a 15 cent premium.

Mr. Edwards: If there is a demand for malting barley and there is not enough being marketed in that way. I think the Wheat Board makes every effort to see that barley is purchased from the farmers first. In order for an exporter to buy that barley which has come in as feed, it has to be approved by the Wheat Board, and the Wheat Board would not do it if they felt it was depriving a farmer who had malting barley and wanted to sell it as such.

Senator Williams: Has there been an occasion when the brewers would import barley?

Mr. Edwards: Not in recent years. I do not know of any. It is, of course, not permissible to import barley without approval of the Wheat Board. I assume that if the situation were desperate enough it would be permitted, although it is very hard to find barley anywhere.

Senator Blois: Who is responsible for the grading of malting barley? You mentioned the different grades and the prices paid. I wondered who had the responsibility of selecting the proper grading.

Mr. Edwards: When you say "selecting", do you mean fitting the barley into the grades, deciding what grade it is?

Senator Blois: Yes.

Mr. Edwards: The Canadian Grain Commission.

Senator Blois: The same as with wheat and everything else.

Senator Benidickson: Is my long-time friend Mel Jack still a representative of your organization, or was he directly associated more with the Brewers' Association?

Mr. Edwards: He was a member of the board of directors of the Institute until a few years ago.

Senator Benidickson: Has he retired?

Mr. Edwards: He has retired. He was on the Institute board by reason of his position with the Brewers' Association, and when he retired from that he left our board.

Senator Greene: What expanding export market do you look to, and on what evidence do you base the conclusion that there are available expanding export markets?

Mr. Edwards: I could give you a general answer, but I think Mr. Sisler could probably give you a more precise one, if I might refer it to him.

Mr. W. W. Sisler, Managing Director, Brewing and Malting Barley Research Institute: It is vague. I do not have any specific information. There is an increasing demand from the United States. The United States is in real trouble as far as the acreage available for planting malting barley is concerned. It has all moved up into North Dakota, and the next logical move is north. They have become more active in the Canadian market, requesting malting barley, over the last four, five or six years. Above and beyond that, all the contacts I have had through people in the Grain Commission, through individuals in Germany, Britain and Australia, all people who are experts in the malting barley area, insist that there is a shortage of malting barley in the world at the present time and that this situation is becoming quite critical. Going out on a limb, I have, in the back of my mind, thought of preparing a talk to give to some group this winter indicating that within the next ten or twelve years Canada could build a malting barley market of, I would estimate, 100 million bushels.

Senator Benidickson: Mr. Chairman, I do not know whether a sotto voce remark about Mr. Jack went on the record, but I well know that he was a power in helping the Minister of Industry, Trade and Commerce and the Wheat Board when the Tory administration was in office. I think his closest political friend was the late Mr. Ross Thatcher, of the NDP party at one time and a former Liberal Premier of Saskatchewan.

The Chairman: I do not really think Mel Jack is too relevant to this discussion.

Senator Benidickson: The reason I raised the matter is that I have usually in this context benefited from the advice of Mel Jack.

The Chairman: I have neither seen or heard from Mel Jack in some years.

Senator Sparrow: I should like to ask a question about your request for a change in the legislation permitting separate pooling. Based on the 1972-73 crop year, what would it have benefited directly the producer of malting barley in dollars and cents?

Mr. Edwards: I am afraid I cannot give you that answer. I do not know whether Mr. Sisler could give you some figures. One of the problems is that there is a variability from year to year in how much differential there would be. It depends on the relative supply and demand. There could be a year when the Wheat Board might make sales at the top of the market.

Senator Sparrow: I am asking specifically in that year. If not that year, would you have it for the year prior, or some year?

Mr. Edwards: Mr. Sisler could give you some general figures. The trouble is that we do not know at what prices the Wheat Board sales were made, so we cannot tell exactly.

Mr. Sisler: The Wheat Board does not divulge the price at which they make sales of malting barley or feed barley. The final payments in 1972-73 for 2 C.W. 6 row were \$1.55, compared to \$1.46 for No. 1 feed barley, a premium of about nine cents per bushel. This is not really a true comparison. When you go to the economics branch, which publishes figures of exports from Canada of barley, the average price received for all exports in 1973—this is a calendar year; it overlaps the crop year-was \$1.90. You can compare that \$1.90 with the price received for exports to the United States. This is essentially 100 per cent malting barley that goes to the United States. You have \$1.90 price for all barley exports; exports to the States have an average return of \$2.74 per bushel, a premium of 84 cents over the average price.

A comparison should also be made with 1972, because we are comparing a crop year with a calendar year. In 1972 the differential between the average price per bushel for all exports and the price per bushel for exports to the United States was 31 cents. The answer to your question, I think, is that the farmer received nine cents per bushel for malting barley on top of the premium he got previously directly from the producer, whereas the returns were something like 30 cents a bushel.

Senator Sparrow: You use the figure of \$1.90 and \$2.74; that is a difference of 84 cents. That is in 1972.

Mr. Sisler: That was for the 1973 calendar year.

Senator Sparrow: That is 84 cents, plus 15 cents directly. Is that correct?

Mr. Sisler: Right. The 15 cents is in practically all cases paid to the producer who delivers malting barley directly. This premium is above and beyond the 15 cents.

Senator McDonald: That goes into the pool.

Mr. Sisler: It goes into the pool, and the dilution effect in the pool that we are talking about is reflected in the difference between, say, the 31 cents premium received in the marketplace and the nine-cent premium which eventually got to the producer.

The Chairman: But the barley producers got all of the money; nobody ran away with some of the money?

Mr. Sisler: No, no.

Mr. Edwards: It is just distribution.

The Chairman: I am not necessarily disagreeing. It is just divided, in your opinion, in an unfair manner.

Mr. Sisler: Right.

The Chairman: For the record, the producers got all the money?

Mr. Sisler: Oh yes.

The Chairman: Nobody ran away with his money.

Senator McNamara: I would like to make one or two brief remarks. First of all, I should like to say I think we should welcome this presentation from the maltsters. There is no doubt at all that the present situation, and the situation as it has been developing over the last few years, is creating very difficult problems, and I think it is inhibiting the growth of quality barley, and probably the expansion of our markets for malt. I therefore think as a committee we should welcome this presentation. However, if a change is required in the Canadian Wheat Board, I do not think this bill we are examining is a suitable vehicle.

Rather than praise the maltsters too much, I think there are one or two points that have not been stressed enough this morning in their presentation. I understand that this year the quality is only about 5 per cent of the barley crop that would grade eligible for these malting grades set up by, I was going to say, the Board of Grain Commissioners, but that is out of date. It is a very low quality crop.

Mr. Edwards: Just over 8 per cent.

Senator McNamara: That is too low, and when you run into a crop like this you are bound to have very serious difficulties.

Another factor that should be mentioned is that the present system of operating under the Wheat Board, with the government's initial payments, is working very much against the selection of malting barley, because you have an initial payment in barley that is not realistic at all compared to the export level or the market being paid by the Grain Exchange for feed barley. This bill, as Mr. Edwards mentioned in his brief, encourages farmers for the extra few cents, or more than a few cents, premium to sell it for feed and not sell it to the maltsters. It more than offsets the 15 cents a bushel selected premium that the maltsters have been paying, which has been a good policy, because it has encouraged producers to go for the better varieties and types of barley for malting.

If the initial payments were much more realistic and closer to the actual value of the product, I do not think

we would have this situation where the farmers are dumping good barley, in other words getting it mixed. There is always a danger in this, because when maltsters select barley they pay the producers direct a 15-cent

select barley they pay the producers direct a 15-cent premium. When they get sent to feed stocks and give it to the terminals, the terminal operators are smart enough to select it themselves out of the general commercial stream and sell it to the Americans. That again is a situation that bears looking into.

Senator Benidickson: Can the elevators and terminals do this and avoid the Wheat Board pooling?

Senator McNamara: Yes. A smart operator—and the maltsters do the same thing—will select and blend it to make it suitable for their operation. There is nothing wrong in it.

Senator Benidickson: Assume that under the pool, as explained in the brief, a producer utilizing the pool might get a premium of 15 cents for malting barley. What does the brewing and malting barley industry actually pay in the premium?

Mr. Edwards: We pay the 15 cents.

Senator Benidickson: You pay the same as the pool allows the producer?

Mr. Edwards: It is really outside the pool. The 15 cents goes directly to the farmer from the buyer.

Senator Benidickson: So the figure is the same year by year, the policy is the same year by year.

Mr. Edwards: Regarding the stocks of feed, or the crops of barley selected for malting directly from the farmer, when they have accumulated, as Senator McNamara pointed out, the Wheat Board still has control of the sale of those stocks and, depending on the market, they can charge about whatever they think is reasonable. This year some of that is being purchased by the malting companies and the exporters. But the policy of the Wheat Board has been to make that the same total price to us as in the case of wheat bought from the farmers.

The Chairman: The Wheat Board account would get the benefit of the larger payments?

Mr. Edwards: They would get the benefit of at least part of the 15 cents and the grain companies would get the benefit of part of it for having handled it and segregated it.

The Chairman: If it sells at a premium of 30 cents a bushel on the export market, the company would get the benefit of the 30 cents because they selected it?

Mr. Edwards: No.

The Chairman: I may be wrong.

Mr. Edwards: We missed a figure of 40 cents that would go to the Wheat Board, included in that price.

Senator Sparrow: What does the malting industry pay per bushel in addition to the 15 cents? What additionally do they pay this year, as against last year?

The Chairman: What is the current price now for malting barley?

Mr. Edwards: Actually malting barley is not for sale by the Wheat Board at the moment. They have withdrawn for the time being from making any sales. But the last time they were selling they based their price on the May future. The May future closed at \$3.10 yesterday. There is a premium to the Wheat Board of 42 cents over that. That would make only a theoretical price at the moment of \$3.52. As buyers, we pay the \$3.52 to the Wheat Board, we pay 15 cents to the grain company to give to the producer and 3 cents to the grain company for their services in paying for it.

Senator Greene: You told me that the American malting industry was a great potential future export market. Having gone to North Dakota as far as you can, is there any evidence that American malting companies or American producers of barley are now buying Canadian land?

Mr. Sisler: Not to my knowledge. The American malting representative has been up in Winnipeg in the Grain Exchange quite frequently this fall, but their purchases are all made through the established grain companies in Canada.

Mr. Edwards: It is a difficult thing to buy land to grow barley because you are never sure that the weather will be good enough to produce a crop in that particular spot each year. That is the great advantage of the Canadian system in supplying export markets, that there is a large enough area to grow large volumes of barley and that we should be able to get a reasonable amount of good barley out of the whole area.

Senator Norrie: Where are the areas where you grow barley?

Mr. Sisler: The three Prairie Provinces. The two-row barley is grown primarily in central and southern Alberta and in southwestern Saskatchewan. Then there is northern Alberta and central Alberta where they grow good six-row. Northeastern Saskatchewan is a good six-row area. Manitoba is in the western area, primarily, but it is grown to a small extent in a lot of areas. I think Mr. Sisler has a map.

Mr. Sisler: I did not bring it.

Mr. Edwards: If you are interested, we could get you a copy.

Senator Norrie: Yes, it would be interesting to me.

Senator McGrand: After barley is used for malting and brewing, does the residue still have a feed value for farm animals and how nutritious is this as animal feed?

Mr. Edwards: There is the by-product of malt, which is called malt sprouts, and there are the brewers spent grains or the distillers spent grains, which are relatively high protein commodities. The malt sprouts are in the range of 23 to 24 per cent protein and they are used as a component in the feed mix to provide protein.

Senator McNamara: I have one or two other questions which may bring out some more information. One of the policies of the maltsters, which was adopted some years ago, was to contract for this and to encourage the producers to grow selected varieties of malting barley. Are the maltsters still doing that?

Mr. D. W. Elliott, Manager, Grains Division, Canada Malting Limited; Director, Brewing and Malting Barley Research Institute: No. Our contracting operation has decreased considerably over the past five years because of the return to the producers, for the very reason we have attempted to set out in this brief. It has become much less attractive and they have shown a decreasing interest in tying themselves up to a contract.

Senator McNamara: Would it be right to assume that up until this year you have been able to procure your supplies out of the general movement of barley, without having to go to contract with the producers who produce feed barley?

Mr. H. F. Graesser, President, Canada Malting Limited; Past-President, Brewing and Malting Barley Research Institute: I would say that is true. Our contract areas are in Alberta. In the event that we suffered a complete disaster through drought, we would have a little backup, but those contracting operations have diminished considerably over the past five years.

Senator McNamara: You would agree with me that the condition, especially, of the malting barley has been the most serious problem?

Mr. Graesser: Yes.

Senator McNamara: I have one other question. Senator Williams spoke about the Wheat Board and the control of imports, as to whether this could be allowed to the Wheat Board. But I have not been able to ascertain what countries would be concerned, in view of our condition and the American condition and the demand for barley. From what country could we import quality barley?

Mr. Edwards: It would be very difficult. There is France, and possibly Australia, but the Australian crop is not really made yet. I heard earlier some comments about French barley being offered in the United States. I do not know much about that.

Senator McNamara: My information is that the French are very reluctant to move any of their grains at all. That may be wrong. They grow a two-row, do they not, whereas you really want a six-row barley?

Mr. Edwards: If you get to the stage where you have to import barley, you take whatever you can get.

Senator McNamara: I would like to make another brief point, and I do not know whether or not other senators have taken it up, it is the question of carrying charges. I think this is something which has to be looked at quite carefully. It is stated in this brief that the malting barley goes from the producer to the maltster or the exporters immediately and does not carry any storage charges. There has been considerable agitation about that, particularly in Alberta. I think this is something which we should look at when the Wheat Board Act is being dealt with again. It may be proposed then that malting barley should be segregated entirely from the feed barley and not have to bear the share of the carrying charges which are heavy charges incurred on the feed grain.

Another point is that in many instances the maltsters select one feed barley and use it for malting purposes. In other words, you cannot go by the grading of the barley.

I know that in relation to the six-row barley, for that grade of barley. In some instances you find feed barley being sold at feed grain prices, which is just as suitable or even more suitable than the six-row barley. Sometimes you have to reject the six-row barley. This is the whole question of the grading of barley, which is not like wheat at all, and this is creating serious difficulties for the maltsters, in some years. It also creates difficulties for the producers and it does not encourage the production of quality barley by those capable of producing it.

Mr. Edwards: As you say, we will buy one feed barley rather than another, as there may be a higher percentage of clean-out that we cannot use. But that particular barley may be something better than the 2 C.W. barley that does not germinate as well as the other one. The Wheat Board, of course, is quite conscious of this and we do not buy one feed barley for the same price as another feed barley. We pay a lesser premium than for the 2 C.W.; nevertheless it is a substantial premium. The 1 C.W. is 42 cents. At that time the No. 1 feed extra premium paid was 30 cents.

The Chairman: In an effort to improve the situation, to get greater supplies of malting barley, do you think the trade might consider increasing their payment of premium to 30 cents? If other people will do something to solve this, might they up the 15 cents?

Mr. Edwards: We did discuss this. This is really a matter of the policy of the Wheat Board. It was upped from 5 cents to 15 cents two years ago. We have discussed with the Wheat Board the suggestion about the premium that we are paying, the so-called grade premium for No. 1 feed, the 2 C.W., and the 1 C.W., that that 30 or 40 cents might be transferred to the farmer directly; in other words, it might be considered an addition to the 15 cents. We are not looking to increase our overall total cost, because there is a fair volume of export which is subject to world competition. Our customers are under quite a bit of pressure between their cost price and their selling price. We realize we have to pay whatever it is worth. We do not think that we should be paying—to exaggerate a bit-twice what it is worth so that the farmer can get what it is worth. We think that what we are paying should first get to the grower.

Senator Williams: Going back to the residue, which contains 24 per cent of protein, if I heard you aright, has the industry further processed this by-product for stock or for animals?

Mr. Edwards: In the case of brewers spent grains, I quoted the protein in regard to malt sprouts but I believe that the brewers spent grains are in that range, probably over 20 per cent. Some brewers dispose of them as wet grain. It comes from the mash. Some dry it and dispose of it to farmers or feeders and some sell it wet and it is fed as a wet grain to the livestock. I am not too familiar with that, so someone may correct me on this. In the case of the malt sprouts, because it is so rich in protein it should not be fed directly to cattle. For cattle it is mixed with lower protein to make a feed. I am pretty vague about this question of brewers' spent grains and perhaps someone else can speak on it.

Agriculture 1:11

Mr. Sisler: They are in about the same protein level as the malt sprouts—24 to 25 per cent. There is a real demand for brewers' spent grains at the present time. Most of the brewers are situated in the relatively large cities. A lot of them move it wet, without being dry, and they are bought directly, mostly by dairy farmers, and it is a prized feed supplement for them. There is no problem whatever in disposing of it.

Mr. Edwards: It would not be fed directly?

Mr. Sisler: That is so; it would not be fed directly. The farmer himself would compound the feed, making up the mix.

Senator Williams: The indication which I got seemed to be that some of it is dumped.

Mr. Edwards: No.

Mr. Sisler: No. This is what I attempted to indicate, that the dairy farmers who are near to these cities prize this feed supplement and there is a greater market for it than there is a supply at the present time.

Senator Sparrow: During the foreseeable future, and by that I mean, perhaps, the next year, do you see a shortage of the finished product due to the shortage of barley?

Mr. Edwards: Beer?

Senator Sparrow: Beer, I guess.

Mr. Edwards: I do not think so. I think that the quality of the barley will create processing problems for us. The brewers will perhaps have to use more malt to make the same quantity of beer. It will not affect the quality of the beer—but you might stock up just in case!

Senator Sparrow: Thanks very much. What type of storage facilities are there, then, for protecting the finished product? Would you carry a six months' supply, a year's supply, a two years' supply, of malting barley?

Mr. Edwards: The storage facilities are in malt houses and are probably in the range of 40 per cent of a year's product—somewhere in that vicinity; but there are opportunities for outside storage. There are terminals at the Lakehead for malting plants, Thunder Bay and further east, and there is some storage in country elevators and some in interior terminals; so that this is something that is required this year, that is, to store anything that becomes available, to make sure we have it.

Senator Sparrow: Do you see a need in the future for greater storage facilities for marketing malt and barley, then? Is that something the industry should be looking at?

Mr. Edwards: Well, we are looking at it. We are looking, of course, at the economics of being able to store it elsewhere, occasionally, and sometimes for part of the year, as compared to the total cost of having storage available all year around. I am aware that Canada Malting Limited have expanded their storage facilities at Calgary, and, as they have expanded their malting facilities, we expect that the next expansion we make will be in storage facilities.

Senator Greene: You have alleged that there is a world competitive market. Unfortunately, that market is fairly restricted. What return does the Canadian producer of malting barley get as compared to the European community producer?

Mr. Edwards: I cannot tell you what the producer's return is. I would think, in the European Economic Community, that on the whole the producer does fairly well because of their system of tending to subsidize the producer.

Senator Greene: That is a form of protection; it is not really a competitive market. If our producer could sell in the Community he would be getting a lot more money than he is by being trapped in our domestic market. Is that a fair comment?

Mr. Edwards: I do not feel our producer is by any means trapped in the domestic market. There is a huge demand this year from the United States. We have at least enough bushels of malting varieties of barley, though we had to go down in quality. In the United States, however, they just do not have enough bushels of the varieties. Mexico is buying barley. They are attempting to buy Canadian barley and they are buying United States barley. The Japanese have been customers for Canadian malting barley, and at some pretty hefty prices. I would say that the prices that the Wheat Board obtains for malting barley for export are pretty indicative of world prices, and competition in the general world market. I cannot speak for inside the European Economic Community.

Senator Greene: You would say that if the producer in the European Economic Community is doing extra well, that is by reason of their own protective measures.

Mr. Edwards: I would think so, on the assumption that if French barley, say, or French malt, is sold on world markets, it is usually competitive with Canadian or other malt.

Senator McDonald: But is it not true that the Canadian producer is not locked into the Canadian market, but rather is locked out of the European Community market? Not by anything Canada has done, but simply by reason of the tariffs imposed by the European Economic Community? There is no way that we can get barley in there. They just will not let it come in.

Senator Buckwold: I would like to ask about the historic record of the supply of malting barley during the last several years. Up until recently, in most grains, we have really been in a serious surplus situation, even to the point of asking people not to grow wheat, or to reduce their acreage. Did that situation, during those years up until a year or two ago, apply to No. 1 feed, or No. 1 C.W. malting barley?

Mr. Edwards: A surplus situation of barley?

Senator Buckwold: Yes.

Mr. Edwards: Yes. Up until a few years ago, say about the 1970 period, there tended to be more of a surplus problem in all grains. There was particularly a surplus of wheat, and farmers tended to go to alternatives, and they grew malting barley. In that period the prices for malting barley were quite high. The pricing of the Wheat Board tended to be related to the domestic market only. The domestic market was at a higher level than the export markets. There was not the interest in exporting malting barley to the United States and to some of the other countries, so the relatively high price, the marketing system in effect, then, because of the surplus that permitted the malting barley producer to ship his carloads of quota of barley intended for malting, tended to create a better incentive than we have now to grow malting barley.

Senator Buckwold: During that period, then, would you have preferred to have a separate malting barley pool?

Mr. Edwards: Yes. During that earlier period?

Senator Buckwold: Yes.

Mr. Edwards: There was an incentive. The need for it was not there. We were able to obtain supplies, and farmers had a different incentive to grow malting barley; but I think, if we are speaking in principle, a separate malting barley pool is the reasonable thing. If somebody takes the care to grow a product which is generally in demand at a higher price—it has always been at a higher price, has always been at some premium or other, over feed barley, even though it might have been a smaller premium in those days—I think it is only fair that the producer should be compensated for it; because if, for any reason, the feed market becomes higher, it is obvious that the maltsters are going to have to pay those prices, or pay a premium to get the barley, or the grain is going to go to the feed market.

Mr. Sisler: I would like to make a brief comment here. The separate pool would eliminate these carrying charges, that Senator McNamara referred to, that apply only to feed barley. Going back to 1970-71, the barley pool was in a deficit position to the extent of in excess of \$9 million, of which \$8 million was storage charges. If you go to the Wheat Board operation, and look at their annual report, you will see that they are quite an efficient operation. Their normal operating charges are, from what I can gather, well under 2 cents a bushel, and the larger charges are entirely due to storage, none of which applies to malting barley, and this accounts for the dilution in return to the grower that we were referring to earlier.

Senator Michaud: Has your Institute ever carried on experiments in the Maritime provinces, on the quality of malting barley?

Mr. Sisler: I would like to make one comment. Our Institute is not involved in the marketing area at all, though the member companies certainly are. Our Institute is concerned with research and quality testing of new varieties in malting barley. We have not been active in the Maritime provinces at all. We have been minimally operative in Quebec for about the last 10 or 12 years. We still maintain contact with all of the research programs, and we do give a grant to the Macdonald College in Quebec for research purposes. The malting barley production in the Maritime provinces and in Quebec is zero. These areas are feed deficient. What barley is grown is grown for livestock feeding purposes only, and in most

cases crops other than barley will give the producer a higher yield per acre—crops such as oats, feed wheat, and particularly feed core in Quebec. But we do maintain contact with the federal government research people. I am quite familiar with Dr. Sterling's program at Charlottetown, and he is one of the research community with which we deal.

Senator McGrand: This question has nothing to do with barley, but you mentioned that the growing of barley in the United States was moving north, and is now centred in North Dakota. Does this mean that soya beans and other grains of high protein content are replacing the growing of barley in the southern states?

Mr. Sisler: I think this is true. I was referring particularly to malting barley, although it does apply to all barley. When barley was first grown on this continent, in the United States it started in New York, Pennsylvania, Michigan, and it has now moved west and north to North Dakota, which I indicated before. The reason it moved was mainly an increase in the acreage of corn, and corn and soya beans-I do not know what the word is-complement each other in rotation on a farm. As you move north into North Dakota and into Canada, because corn cannot be grown that well at the present time, barley is the feed grain, and this is why the barley acreage has remained high in North Dakota. They have reached the end, though. It cannot move any more. We have the 49th parallel along the north of North Dakota, and there are areas in western North Dakota and eastern Montana which are useful for essentially nothing but range purposes, and perhaps wheat.

Senator McDonald: Is it not true that barley will not stand extreme heat the way soya beans or corn will? Barley burns very easily, especially if it is dry.

Mr. Sisler: This is true, and our barley area in Canada is north of the Palliser wheat area, and this again is part of my excitement about the potential for malting barley, that we have a perfect area with a perfect environment for producing high quality barley.

Senator McNamara: Another factor, though, is certainly yield, because corn is maybe yielding 160 to 180 bushels per acre, and our average yield per acre in western Canada is about 40 to 42 bushels per acre. But there is quite a sentiment in western Canada that possibly we have been concentrating too much on varieties of barley just for malting purposes, and passing up opportunities for increases in yield that could be obtained by going to other varieties.

Mr. Edwards: I will let Mr. Sisler answer that one.

Mr. Sisler: I must admit that I get great enjoyment from talking to the feed barley people, and the producers, with whom we work very closely. Barley research in Canada has been going on actively since 1920. The malting and brewing industries have been co-operating with universities and the federal government. We have probably done more work on the development of high yield malting varieties in Canada than—I'll go out on a limb and say this—they have in any country in the world. As a result of this, our malting barleys are very high yielding types. There is a lot more feed barley research going on

in Canada, which has been going on for a number of years, than most people realize. The greatest problem is that the malting varieties—which have been emphasized, I admit—have such good performance in the field that the research person is having a difficult time getting a significant increase in yield per acre over our present malting types. Now, this may change in the next five or ten years, but well under half of the research effort in barley in Canada is devoted to malting barley at the present time—well under.

Senator Greene: Will the separate pooling you have referred to, while it may give a better deal to the producer of malting barley—who, you say, is paying an inordinate share of the cost, because he does not require the storage—not have the incidental effect of raising the cost of feed barley?

Mr. Edwards: I do not really see why it should.

Senator Greene: If I have understood your evidence, the malting barley man is now, to some degree, subsidizing the cost of storage for the feed barley man.

Mr. Edwards: And less farmers would grow feed barley because the returns from feed barley would be reduced? Well, there is a big volume of feed barley used in Canada and for export. The crop this year is in the range of 400 million bushels. It has been as high as 600 million. I do not think it would be that significant a change in the price.

Senator Greene: You do not think it would be sufficiently significant to up the cost of feed barley?

The Chairman: I would think that if a farmer could hope to get a higher price than he now gets for malting barley, obviously he might be interested in seeding some barley that might go for a malting grade. Having done that—you gentlemen can correct me if you think I am wrong—it might well be that he is producing more feed barley, because although he seeds barley hoping to get a malting grade he sometimes does not produce barley of malting grade. My opinion would be that it would not increase the price of feed but it would increase the acreage to barley. Some of the increase—let us hope the majority—would go into a malting grade, but a lot of it would not go into a malting grade because of weather conditions like this year and so on.

Mr. Edwards: I would agree.

The Chairman: That is just my own opinion. It was not solicited.

Mr. Edwards: I appreciate that.

Senator Sparrow: Have you made presentations similar to this, only to the Wheat Board people or also to other organizations?

Mr. Edwards: We have discussed it with the Wheat Board and with Mr. Lang in recent years.

Senator Sparrow: Any other type of farm organizations?

Mr. Edwards: Yes, we have discussed it with people in the farm organizations, the grain trade. We have discussed it at farm meetings. About once a year the Institute puts on a farm meeting in one of the Prairie provinces, and this has been a subject in recent years. We have found agreement on the part of the malting barley producers, certainly.

Mr. Elliott: Perhaps I might add to Mr. Edwards' comment. The Prairie pools have made resolutions in the past year or two that there should be a separate pool created for malting barley, so they are supporting this.

Senator Benidickson: What about the federation? Have they views on it?

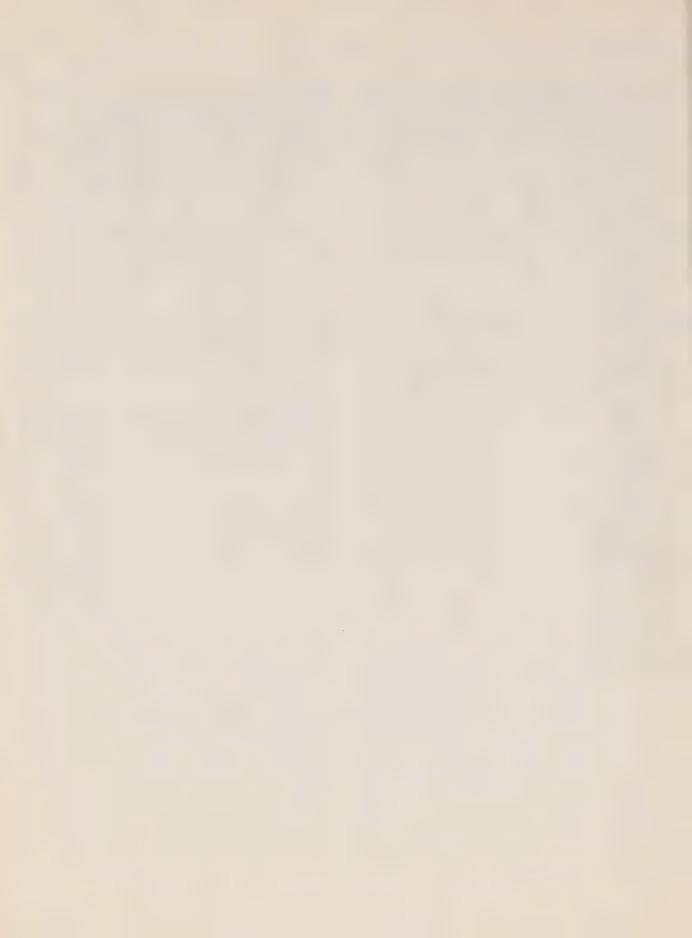
The Chairman: I would think the wheat pools are such a large part of the federation that they in fact speak for the grain grower section of the federation. When the wheat pools ask that this be done the federation is almost automatically for it, otherwise they would have a divided house, and I do not think they are that divided.

Are there any other comments?

Honourable senators and gentlemen, I think we have had a very useful meeting this morning, and perhaps an exceedingly important one. I would think that from this there may come some action along the lines you have suggested, namely increases in initial prices for feed grains and for barley, and perhaps steps to provide for a separate pool account for barley grades. I think the Senate and this committee can play a useful role in this way. If we decide that you are on the right track, I think we will follow it up, and I hope that we can, with others, help to bring about a successful conclusion to what you have requested.

Mr. Edwards: Thank you very much.

The committee adjourned.









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Publications

FIRST SESSION—THIRTIETH PARLIAMENT 1974

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HERVÉ J. MICHAUD, Deputy Chairman

Issue No. 2

TUESDAY, NOVEMBER 5, 1974

First Proceedings on Bill S-10, intituled:

"An Act to amend the Feeds Act"

(Witnesses: See Minutes of Proceedings)

11

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman The Honourable Hervé J. Michaud, Deputy Chairman

The Honourable Senators:

Argue McElman Benidickson McGrand Blois McNamara Côté Michaud *Flynn Molgat Fournier (Restigouche-Norrie Gloucester) *Perrault Haig Sparrow Hays Welch Inman Williams Lafond Yuzyk, Laing

*Ex officio member

20 MEMBERS

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 23rd, 1974.

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Argue, seconded by the Honourable Senator Heath, for the second reading of the Bill S-10, intituled: "An Act to amend the Feeds Act".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Argue moved, seconded by the Honourable Senator Forsey, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate

Minutes of Proceedings

Tuesday, November 5, 1974.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 2.00 p.m. to consider Bill S-10, intituled: "An Act to amend the Feeds Act".

Present: The Honourable Senators Michaud (Deputy Chairman), Benidickson, Fournier (Restigouche-Gloucester), Haig, Inman, Lafond, McGrand, McNamara, and Yuzyk. (9)

Present but not of the Committee: The Honourable Senators Greene and McDonald. (2)

In attendance: Mr. E. R. Hopkins, Law Clerk and Parliamentary Counsel.

The following witnesses were heard:

Department of Agriculture:

Mr. C. H. Jefferson, Director—Plant Products Division.

Mr. C. L. Stevenson, Chief—Feed and Fertilizer Section.

Department of Justice:

Mr. W. G. Johnson, Legislation Section.

At 3.35 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, November 5, 1974.

The Standing Senate Committee on Agriculture, to which was referred Bill S-10, to amend the Feeds Act, met this day at 2 p.m. to give consideration to the bill.

Senator Hervé J. Michaud (Deputy Chairman) in the Chair.

The Deputy Chairman: Honourable senators, in the absence of our Chairman, Senator Argue, who is attending sessions of the United Nations in New York this week, I, as Deputy Chairman, have been called upon to preside over this committee meeting.

The purpose of this meeting is to consider Bill S-10, An Act to amend the Feeds Act.

We are happy to have with us this afternoon: Mr. C. H. Jefferson, Director, Plant Products Division, Department of Agriculture; Mr. C. L. Stevenson, Chief, Feed and Fertilizer Section, Department of Agriculture; and Mr. W. G. Johnson, Legislation Section, Department of Justice.

I will now call upon Mr. Jefferson.

Mr. C. H. Jefferson, Director, Plant Products Division, Department of Agriculture: Mr. Chairman and honourable senators, while a good deal of what I have to say has already been covered in the Senate, I will, if I may, give a brief review of the reasons for the amendments.

The amendments are for the purpose of bringing the authority of the Feeds Act into line with current and anticipated needs, without changing in a material way the original intent of the act.

Ingredients are now being used for animal feeding that did not exist when the present act was drafted. The raising of animal forms—for example, fish—has also developed in Canada since then.

The impact of feed ingredients on human health, through residues in animal products used as food, and the potential for adverse effects on wildlife have increased the need to leave less to chance in regulatory measures. It is felt that authority to regulate at the manufacturing level, as well as in trade channels, should result in the prevention of many problems without impeding constructive and useful developments.

The spread of salmonella and other pathogens through the feed to animals, and hence to humans, can surely be arrested at processing plants.

The vertical integration of feed formulation with livestock production has closed the door to effective action under the present act. However, the amendment to bring manufacturing under the act should restore the balance.

The feed industry is growing in size and complexity. Some 19 million tons of feed are consumed annually in

Canada, exclusive of roughage. Of this, nearly three million tons are sold to livestock producers as complete feeds. Another 650,000 tons are sold as pre-mixes and supplements to be added to grain by the livestock producer, to make up over six million tons of complete feeds.

There are now over 150 different feed ingredients used, exclusive of some 60 different so-called medicating ingredients, many of which are veterinary drugs. There are, therefore, over 210 different ingredients.

Additional ingredients are being proposed almost weekly. Among these are by-products and waste of other processes that seem to have some nutrient or growth-promoting properties. Being by-products, they often contain traces of dangerous chemicals and elements, and therefore should not be used until reserach has identified their potential for both good and harm.

The amendments set out in Bill S-10 are designed to permit these developments to be dealth with.

That completes my opening remarks, Mr. Chairman.

The Deputy Chairman: Thank you, Mr. Jefferson. Are there any questions from members of the committee at this time?

Senator McDonald: What is meant by "biological functions" in clause 1(1)(c), which reads:

(c) for the purpose of affecting the biological functions of livestock,

Mr. E. Russell Hopkins, Law Clerk and Paliamentary Council: Perhaps it would be well to introduce the amendment at this time.

The Deputy Chairman: Yes, I was about to suggest that. Mr. Jefferson has an amendment to suggest in that respect, Senator McDonald, I will ask Mr. Jefferson to read that amendment now.

Mr. Jefferson: Mr. Chairman, since the proposed definition contained in Bill S-10 was draw up, it has become evident that part of it is more extensive than need be to deal with the ingredients that ought to fall into the category designated as "feeds". Also, there is the possibility that some veterinary drugs could come within that definition. Therefore, an amendment is proposed that would cover the essential range of feeds ingredients without extending unnecessarily into the area covered by the Food and Drugs Act. The proposed amendment is as follows:

That Clause 1 of Bill S-10 be amended by striking out lines 16 to 22 on page 1 and substituting the following:

(a) for consumption by livestock-

That is actually the same as the present paragraph (a).

(b) for consumption by livestock in combination with other materials, or

(c) for the purpose of preventing or correcting nutritional disorders of livestock";

If one compares the definition in Bill S-10 with the explanatory note for that definition as it now exists, it will be seen that paragraphs 1.(1)(a), (b), (c) which are being added to the definition are precisely the same as occur in the definition in the current act. The part which is changed is the lead-in paragraph. The old lead-in paragraph read as follows:

"feed" means any substance or mixture of substances containing proteins, carbohydrates, fats, minerals, condiments or vitamins manufactured, sold or represented for use.

The new lead-in paragraph is more extensive in that it names more types of feeds ingredients, such as amino acids, antioxidants, enzymes, non-protein nitrogen products, pelletizing, colouring, and foaming or flavouring agents.

Senator McDonald: Why did you find it necessary to revert to the original paragraphs (b) and (c), paragraph (a) being the same in both instances?

Mr. Jefferson: In reassessing the meaning that would likely be given to these words in the definition, it was concluded that the old paragraphs (a), (b) and (c) did actually set adequate parameters to define the feeds ingredients. Therefore, it was found unnecessary to go as far as we had initially thought necessary. For example, clause 1(1)(c) covers a fairly broad spectrum, and the last two lines of clause 1(1) which read:

or any substance for use in any such substance or mixture of substances;"

removed the definition back one stage. Those two aspects were viewed as quite definitely covering chemical substances which are now classified, or fit the definition of drugs coming under the Food and Drugs Act. On re-examination, it was determined that it was not necessary to go as far as the definition in fact took us.

We have concluded that the definition, as amended, will cover all of the feeds ingredients we originally had in mind that might properly be considered for regulations under a statute such as this.

Senator McDonald: Going to clause 4 of the bill, it reads:

4. This Act does not apply in respect of a feed

(a) that is manufactured by a livestock producer if it is not offered for sale and has not had incorporated into it any drug or other substance that may adversely affect human health or the environment; or . . .

Just stopping there, who is to know whether there is any drug or other substance added? Are there any inspections carried out on these mobile feed operators who go from farm to farm preparing the feed for the livestock?

Mr. Jefferson: There is an inspection in trade channels. There is an opportunity of knowing substantially what ingredients are being distributed and which might actually be marketed at the farm level as well as those being marketed to feed compounders who are selling prepared feeds. We visualize that through that sampling or inspection process our inspectors will know, substantially, what is being offered in any given area and, where necessary, inspections can be made at the farm level. It is not envisaged that we would be visiting each and every farm.

Senator McDonald: I would not expect you to visit every farm. In many instances you have commercial operators who go from farm to farm preparing the feeds for the livestock. Is there provision for inspection of such a mobile mill? I am not sure what you mean by "inspection in trade channels."

Mr. Jefferson: Clause 3(1) incorporates the word "manufacture," thereby providing a means to apply standards to the manufacturing. In view of that, a mobile mill operator would have an obligation to comply with the standards set out under the Feeds Act.

Senator McDonald: Do you inspect these mobile operators?

Mr. Jefferson: At the present time, we do not have authority to inspect mobile operators, but we have been carrying out a surveillance at the manufacturing level of registered feeds. This surveillance has taken place on an information gathering basis only. If this bill is passed, we will then have the authority to inspect mobile operators. In the absence of any authority to apply standards at the manufacturing level under the law as it now exists, we do not.

Senator McDonald: Where is the authority to inspect these mobile mills?

Mr. Jefferson: The authority in the act itself to inspect the mobile mills would be only if an inspector had cause to believe that the mobile mill operator was selling a feed which was subject to the present act. If he was simply providing the service of mixing "A", "B" and "C" together, then, at the present time, there would really be no cause for us to inspect him.

Senator McDonald: In practice, Mr. Jefferson, I am sure you will agree with me that in the vast majority of cases when mobile mills come on to farms or feed not properties the grains and roughage that go into the feed mix are supplied by, either the farmer or the feed yard operator. It is equally true that the majority of additives which are added to the feeds—supplements or minerals or whathave-you—are supplied by the mobile mill. My question is: Are they inspected? Do you know what they are adding to feeds that are supplied to the farmer or to the feed yard operator?

Mr. Jefferson: We know only a part of it. We know enough to be concerned that, without some regulation there, the country can be faced with a problem with residues that enter food channels via the feeds and on-thefarm mixing. We are concerned about that. These amendments are intended to provide sufficient authority that we can do something practical to stop or to reduce that risk.

Senator McDonald: Perhaps I can get at it another way. How many inspectors do you have under this act?

Mr. Jefferson: We have in the neighbourhood of 80 inspectors.

Senator McDonald: Across Canada?

Mr. Jefferson: Across Canada.

Senator McDonald: How many mobile feed mills are there in Canada doing custom work?

Mr. Jefferson: I cannot answer that just off-hand. I might ask Mr. Stevenson if he would have an idea at the moment of how many there would be.

Mr. C. L. Stevenson (Chief, Feed and Fertilizer Section, Department of Agriculture): The last count we took was about a year ago, and at that time it was in the neighbourhood of about 3,000.

Senator McDonald: Three thousand?

Mr. Stevenson: That would be those doing their own mixing and mobile mills. In other words, they are both using the same types of materials. For example, the chap mixing his own feed at home would likely be buying a supplement the same as the mobile mill operator will be carrying with him to carry out mixing which he mixes with the farmer's grain. In other words, he uses the supplement and mixes it with the ground grain of the farmer to make up the complete feed form. We figured a year ago, when we took the count, that, as far as we could figure it out, there had been about 3,000 of these different types of mills for either some mixing on a farmer's own premises or for someone else doing some mixing. The number of mobile mills that perhaps you are referring to as mobile mills is not that great. I have not a figure on that, exactly.

Senator McDonald: If you are talking about home mixing, then I suggest to you that there are many, many times 3,000 mills in Canada. If you are talking about mobile mills that do custom work over a large area, over a total community, then perhaps your 3,000 figure is accurate. But it certainly is not accurate if you are talking about the number of mobile mills that do home mixing in Canada.

Mr. Stevenson: There are many chopping operations at the farm level, but when you come to the many mixing mills for mixing up the different ingredients to a set formula, this was the figure as far as we could gather. It was about 3,000.

Senator McDonald: I can tell you that that figure is about 100 per cent out. There are more than 3,000 in the province of Saskatchewan, let alone the rest of Canada, if you want to talk about home-mixing mills. But I am not concerned about inspecting those mills, because with respect to the vast majority of mills of that category the farmer mixes the feed for himself and perhaps one neighbour. I am not concerned about that. My concern is with the large operator who will probably be mixing for 30 or 40 different farms or feed plants. I presume that would be the 3,000 you are referring to. That number could be close to it.

Mr. Stevenson: Well, senator, the count we had on it was not that many. You mean the ones going from farmer to farmer down the road? The count we had was not nearly that large. Perhaps the information we had was inaccurate.

Senator McDonald: I do not wish to argue about that.

Mr. Stevenson: But to answer your question with relation to these mills at the present time, the supplements which they supply to the farmer under the present act are regulated by it. What we are concerned with is the combination itself which the farmer puts together or has the operator put together at the farm level—in other words, the supplement and the grain and any additional medicants or anything else that the farmer has bought and wishes to add. It is the end product going into the livestock that we do not have jurisdiction over at the present time.

The proposed amendments would give us the right, under suspicion of there being an adulterant substance in there, of going on to the farmer's premises and taking samples of the mix to determine just what is going into the livestock.

Senator McDonald: You do not have that power now?

Mr. Stevenson: We do not have that power now to inspect that final product, no.

Senator McDonald: Regulations do not mean very much unless they are observed, and I am not suggesting that they are not, but will it be your intention only to pass regulations, or will you otherwise improve the bill? Because there is room for improvement in terms of the inspection of mobile mills—and I am referring to the mobile mill operator whose sole occupation in life is to prepare animal foods on a custom basis.

Mr. Stevenson: Right.

Senator McDonald: And you are telling me that if Bill S-10 is passed, you are going to have the authority to inspect the mills or the end product of the mills, if you suspect anything is going on or if you are told something requires inspection.

Mr. Stevenson: The end product that is going into the cattle or hogs or poultry, right.

Senator McNamara: Are these mobile mills licensed? Do they have to be licensed in order to go around from farm to farm?

Mr. Stevenson: They may be licensed to do business, senator, but, so far as I know, we do not license them under the Department of Agriculture. We certainly do not under the Feeds Act, in any way, or under any legislation I know of.

Senator McNamara: Well, that comes back to Senator McDonald's point, then, because I do not see how you can have control under this act if they are not licensed, because they can mix anything they like. I do not know what the control is, except suspicion or something of that sort.

Mr. Stevenson: You mean, from the standpoint of the way in which they might carry out the mixing operation?

Senator McNamara: That is right. I mean the ingredients that they are putting into the mix.

Mr. Stevenson: We can check the ingredients which would be going into the mix. We can check that by analytical methods, such as microanalysis, to determine qualitatively the different ingredients; and we also have authority for gaining access to the formulae which they are using.

Senator McDonald: On that point, can a farmer send a feed sample to your department to have it analysed?

Mr. Stevenson: We have not encouraged that practice, owing to the fact that we do not have sufficient facilities at the present time. Moreover, I do not think it is anticipated that we will gear up to encouraging the farmers to send in samples for testing. That type of work is presently carried out to quite a large degree by the provincial governments under their existing programs.

Senator McNamara: That was my next question: Have the proposed amendments to this act been discussed at all with the provincial governments? Do you have clearances from the provincial departments concerned?

Mr. Stevenson: Not specifically. We have not gone to them specifically—at least, not to my knowledge.

Senator McDonald: I agree that the provincial governments, especially in respect of the universities in the provinces, do have the facilities to test feeds; but I am interested in Senator McNamara's observation that perhaps there ought to be more consultation between yourselves and the provinces, in that you are providing this particular legislation, which I think is good legislation, but which does not get at all of the problems.

Many feeders, whether they are farmers or operators in the feed business solely, complain to me that they are not getting the results from the manufactured feeds that they are led to believe they should get, and that some other people, for instance our universities, are getting; that is, so many pounds of beef or pork produced per pound of feed concentrate fed. I am wondering if there isn't room for more consultation between yourselves and the provinces so that the average producer will have access to some government providing an analysis of the food that he is feeding to his livestock and whether he is feeding what he thinks he is feeding or not.

Mr. Stevenson: A number of the provinces, through their extension service, do have this for the roughages and for the grains which the farmer has, say, on his farm. They will give him an analysis of this. Then, through people at the universities or extension personnel, he can figure out from there the amounts of ingredients that he has to buy, such as supplements or high protein ingredients, to mix with his own roughage and grain to give him the desired type of ration that he wants.

Senator McDonald: But this is the problem: When the farmer sends his home-grown grain to the university to be analyzed, and he gets a report back that says, "You need to add so much of this, so much of that, and so much of something else, and if you do this you should get so many pounds of beef for so many pounds of this feed that you're feeding your animals" and he does not get that, then he begins to wonder whether it is the feed that is wrong, or what mistake he has made, because he is not getting the results that the university is getting. So what he wants is some place to send the feed that has been prepared for him, his home-grown feed and the additives that have been put in it, where he can ask, "Well, is this correct? And if it is correct, why am I not getting the grains that the university tell me they get?"

Mr. Jefferson: If I might respond in part to that, the farmers are encouraged, when they have concern about commercial feed perhaps not being satisfactory, to report the matter to our nearest local inspector to be investigated.

Senator McDonald: To your inspector?

Mr. Jefferson: Yes. And then we follow it up on the farm, draw an official sample, and undertake an analysis or an investigation against the background of what the farmer thinks is wrong with the way his animals are responding. It may be the feed, it may be something else; and we draw in the veterinarian, or whoever else may be able to help, and identify exactly what the problem is. If we find that the feed is at fault, then we are in a position, with an official sample, to take action against the manufacturer for having violated the Feeds Act. We endeavour to stream the complaint that way.

Senator McDonald: Thank you very much.

Now, with regard to your inspectors, do you have inspectors stationed in each province?

Mr. Jefferson: Yes. The inspection staff is deployed across the country, and there is, I suppose, an inspector within a few miles in all the major agricultural areas. In the remote areas, of course, the distances may be greater, but they are as close as the telephone.

There is a problem, of course, of making our presence known to every farmer, and we try to do that through our contacts with the provincial ag. reps., and wheever is working to serve farmers, so that our particular role is known and farmers will know how to get in touch with us, if not directly, then indirectly.

Senator McDonald: Certainly through the ag. rep.

Mr. Jefferson: Certainly through the ag. rep., yes.

Senator Greene: In section 3(1)(b), you refer to "prescribed standards". Are these prescribed in the regulations, and are those regulations in existence at the present time, or are they something that will be drawn or revised after the act is passed?

Mr. Jefferson: Standards are prescribed under the regulations. They are Governor in Council regulations, and they are set out in the current regulations. Now, they apply to minimum standards of composition on the efficacy side, and to maximum allowable levels of those ingredients, for example, pesticide residues, weed seeds, dust, and this kind of thing—namely, those elements that could be harmful. The standards that are prescribed thus far are largely quite general in nature.

Senator Greene: So there is contemplated a revision and a more specific set of regulations. Is that correct?

Mr. Jefferson: With respect to manufacturing, certainly, yes. There would have to be regulations in the form of standards of some sort to make authority effective, and I would visualize that initially, certainly, they would tend to be fairly general because it would be quite difficult to identify in all cases specifically just what the particular levels of some things might have to be; but you are quite right, there would be an extension in the setting of standards.

Senator Greene: Is it contemplated that the public, the industry, the drug manufacturers, and others directly involved will have the opportunity of making an input into your thinking, before the regulations are drawn?

Mr. Jefferson: I would say, most definitely. This is the way we have attempted to operate in the area that we now have authority to operate in, which is to develop, if you like, a draft of what we think is the answer to the problem, to test it with the industry and on the consumer side, and, if there seems to be an indication to that effect, to have the provincial authorities test it as well, before it would go forward as a departmental recommendation to the Governor in Council. So that we are reasonably sure that if we do not all agree, at least we know what the problem is and what our defence will be for this particular recommendation we are proposing to make.

Senator Greene: So the effective arm of the legislation is the regulations, and it will not be something that is handed down from the mountain without prior opportunity for all those involved, including producers and manufacturers, to have their day in court?

Mr. Jefferson: I cannot foretell the future, but that certainly is the way we have attempted to operate, and, I

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think, the way we have operated, up to now, and I see no reason to change it.

Senator Yuzyk: I have a couple of questions regarding the inspection program. First of all, how large is your staff, and what kind of a budget have you? And have you been able to cope with the work up to now, before the amendments to the present act?

Mr. Jefferson: I would have to hazard a guess on the number of staff involved in feed work because a large element of the work is done in the laboratory service, and then we have inspectors in the field and the headquarters component involved with product assessment and regulation formation, and this kind of thing, but it would involve about 100 people altogether.

Senator Yuzyk: For all of Canada?

Mr. Jefferson: For all of Canada.

Senator Yuzyk: And the budget?

Mr. Jefferson: The budget is in the neighbourhood of \$1.2 million. We think we have been coping with the problem reasonably well. We are far from the point of perfection, but our impression, judging by the level of complaints we receive and the kind of deficiencies we detect in our inspection program, so far as the farmers are concerned, is that we achieve better than 90 per cent. The deficiency rate we might find in feeds could run a little higher than that, but some of these deficiencies might be regarded as purely technical. It would, perhaps, be difficult in the individual case to show a negative response to a feed or an adulterant at the farm level. But if that deficiency were to continue, then it would achieve a level of significance and we would be concerned. The actual failure rate of samples might be higher than that 10 per cent on that account.

Senator Greene: Following that up, and as one possible illustration of the efficacy of your policing, do you have any records as to how many prosecutions there are per year under the act?

Mr. Jefferson: We have less than one per year, on the average, under the Feeds Act. Our main pressure to achieve compliance has been one of information to those who are formulating feeds. Following that, we exert pressure, if you like to use that term, by—and I would not say "negotiation"—pointing out to them the legality of what they are doing. Then it can be a question of detaining the goods that are deficient and focusing on those operators and those feeds that tend to be accident prone in order to get their attention. We have only resorted to prosecution where these other means have not brought about a satisfactory level of compliance.

Senator Yuzyk: Has your department received very many serious complaints about the type of work you have been doing?

Mr. Jefferson: I would say, not very many. We have had some complaints stemming from the farm level via the provinces or via a particular province, and in these cases very often the actual circumstances were not fully understood by the individual making the complaint.

Senator Yuzyk: And you could explain quite satisfactorily to them the problem raised?

Mr. Jefferson: We could, yes, but we might not necesarily get concurrence that our action was the one that ought to have been taken. As you can appreciate, in some of these cases another approach might be to prosecute first—because it is a straight deficiency—without going at it in some other way and determining whether or not this was a matter that could have been resolved satisfactorily in some other way than by going through the courts. There can at times be an honest difference of opinion on a particular point.

Senator Greene: Have you had complaints from those who might be more prone to complain that the act is not working? Here I am speaking of consumer groups who might allege that harmful products have reached the marketplace by reason of the inadequacy of the legislation.

Mr. Jefferson: Are you thinking here, Senator Greene, in the context of pesticide residues coming through the feed and adulterating poultry meat or something like that?

Senator Greene: Yes, and where you have consumer groups saying, "Why don't you people use your "policemen" to prevent this from happening?"

Mr. Jefferson: This kind of complaint is received from time to time but, again, it is usually based on a lack of knowledge of what exactly is going on and on the assumption that there are residues in food when in fact there is none. It can also arise in circumstances where there is, perhaps, an indicated residue but at a level below that which is regarded by health officials as being either an immediate hazard or even a potential hazard. It becomes a matter of philosophy that if a chemical is bad then even one molecule of it in a broiler poisons that broiler, which does not appear to be the case.

Senator Greene: In other words, you feel that consumer complaints are the result of ill-founded panic rather than the correct analysis of the product?

Mr. Jefferson: I think this is essentially the case. The potential problem has been dramatized unduly. On further examination the actual situation is not as it was made out to be in the first place. We try to inform such complainants as to what exactly we are doing and what our assessment of the situation is. In other words, we enter into a dialogue with them, if you like, and try to improve their understanding, and at the same time try to improve our own understanding if there should be information or concern that we were not otherwise aware of. The type of complaint that we are perhaps more concerned about, in a practical sense, is the one that comes from the livestock feeder who has a problem that he associates with the feed. We are concerned with identifying whether in fact the feed is responsible; if it is, what in particular is wrong with the feed; and to calling the manufacturer to account if it is an error on his part.

Senator Greene: In other words, you are less concerned with the consumer complaint than, say, the Department of National Health and Welfare would be. You regard that as being their baby rather than yours.

Mr. Jefferson: In that sense, yes, because in the process of evaluating feeds and in our own inspection program which does involve analyzing livestock feeds for pesticide residues, we rely on the Department of National Health and Welfare for opinion and direction with respect to toxicological health matters. So we feel that we have

already fairly well cased the situation so far as potential pesticide residues are concerned. I do not want to leave the impression that we are not concerned about public fears or the concerns expressed, because we are, and we deal with them.

Senator Yuzyk: I have one more question, regarding your future inspection program. Since this bill extends the term "livestock" to fish, mink, rabbits and such other creatures as may be designated by regulation as livestock, and you are including all manufacturers in Canada, this will greatly increase your work load. How do you plan to cope with the new situation?

Mr. Jefferson: If I may, in terms of the broadening of the definition of livestock, the only net addition is fish. The other two, the mink and the rabbits, are already covered under the regulations, so we are simply bringing them into the act with this amendment. There will be a degree of additional activity relative to fish foods. The size of that industry in Canada is relatively small at the moment and a good deal of the basic information can be transposed from the terrestrial animal feed area, supplemented by what we may need from the Department of Fisheries.

With respect to the manufacturing element, we visualize moving into that area solely, and I do not like to use the word "permissive", but we do not envision having to implement such a licensing program as was mentioned here earlier. That has not been necessary with the regular feed manufacturers and we do not visualize that it will become necessary in the case of the other type of feed manufacturing facilities at the farm level. Most of these are quite visible and we ought to be able to handle it basically with an extension of our current inspection program. Since we already have our force pretty well deployed, a good part of this work can be done in the normal course of growth expansion.

Senator Yuzyk: Do you foresee a larger number of manufacturers entering this field?

Mr. Jefferson: No, in my opinion probably the level will remain approximately where it is. The mix may change, however, from the standpoint of size. There is a tendency, of course, for livestock feeding operations to become larger and, to the extent that feed processing facilities are associated with those, they will grow larger also. I would not foresee any great expansion in the net number.

Senator Yuzyk: With respect to your budget, there will be increased activity, no doubt, and you might have to do certain work more intensively, if not extensively, and your budget would have to be increased.

Mr. Jefferson: That is correct and I would see the manyear requirement on a sustained basis until the program is in operation equalling not more than several man-years. If we consider this area as a proportion of the area which we now cover, a 2 per cent or 3 per cent increase should be adequate to make a realistic impression on the job that needs to be done.

Senator Yuzyk: Thank you very much. For some reason I thought your program would be extended much more by the changes in this act.

Senator Lafond: I have a question in connection with your dealings with manufacturers. Obviously these sometimes are very large concerns, occasionally multinationals or their dependents. It seems to me that non-compliance or mis-compliance with this act can in some circumstances have very widespread and serious effects, as was illustrated yesterday or the day before in the United States. Are you and the officials of the Department of Justice satisfied with the maximum penalties provided in this act?

Mr. Jefferson: I suppose the answer at the moment has to be yes, in the circumstances that the major penalty is the denial of the market for products which do not comply with the act. This is done by means of detention and non-registration of products which do not comply. That has been the major penalty.

Senator Lafond: That is detention and possible destruction?

Mr. Jefferson: Oh yes. If the product cannot be reconditioned, if you like, then it is a total loss.

Senator McDonald: DES still concerns me. It would not be your department that would be concerned with the use of DES, but it would be the Department of National Health and Welfare, is that not correct, as it is not a feed?

Mr. Jefferson: We would be concerned, Senator McDonald, if it was used in a livestock feed. Diethylstilbestrol is DES, yes. We are concerned about a mixed feed that contains that drug, and it is subject to the act.

Senator McDonald: Was it your department or the Department of National Health and Welfare that outlawed the use of DES in Canada?

Mr. Jefferson: In effect, it would be under the Food and Drug Directorate. In the sense that diethylstilbestrol can be administered directly to animals as an implant and in view of the health concerns in connection with it, of course, that was reflected in the requirements under the Feeds Act for those feeds that might contain that particular hormone.

Senator McDonald: Maybe I am a little out of order, Mr. Chairman, but I would like to get some information regarding DES and why it was outlawed if it is available here, in view of the fact that officials of the Food and Drug Directorate are not appearing. I do not know whether you have the information, but I would like to ask you what brought about the investigation into the use of DES in livestock feeds in Canada. What caused your department, or the Department of National Health and Welfare, to question the harmful effects of DES if, indeed, they are harmful?

Mr. Jefferson: Laboratory studies of this particular hormone in test animals demonstrated that at high levels it was carcinogenic. There was an extrapolation to humans from that basic data. The other way around, there was an experience with the medical use of diethylstilbestrol in humans that was associated with carcinoma and that seemed to confirm the potential. It was from this basis that the toxicologists felt that it was prudent not to expose humans to DES any longer, hence it was outlawed under the Food and Drugs Act as to its presence in food. I would not attempt to provide a more detailed explanation.

Senator McDonald: I think you have answered my questions satisfactorily, thank you.

The Deputy Chairman: Are there any more questions to Mr. Jefferson? If not, thank you very much. Mr. Stevenson, you have a statement?

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Mr. Stevenson: No, Mr. Chairman, I have no statement. I have listened to what Mr. Jefferson has said and, unless there is any particular aspect, I have nothing to add.

The Deputy Chairman: What aspect of the act or the amendments to the act are you particularly concerned with? Is it anything different from Mr. Jefferson?

Mr. Stevenson: No, Mr. Chairman, nothing different at all.

Senator McDonald: I notice that Mr. Stevenson is in the Feed and Fertilizer Section. Can the use of fertilizer change the characteristic of a feed?

Mr. Stevenson: If you are speaking of physical characteristics, I have never seen any evidence of this. As far as concerns the protein content of the feed, which is really the relationship of the nitrogen to the protein, the full use of a fertilizer can.

Senator McDonald: I realize that, but can the use of fertilizer have any detrimental effect on a seed plant or the grain produced?

Mr. Stevenson: If you go into a very large usage of fertilizers, with relation to the effect on the germination of the seed, yes, there is evidence to show that heavy use of fertilizer at planting time can have such an effect, especially with corn, where you have a closeness of the fertilizer to the crop. The amount of mix of nitrogen, potash and phosphate, and especially the potash, it is the one which seems to cause a burning action at the time of planting if it is too close.

Senator McDonald: But there would be no residue in the crop; it is only in the germination?

Mr. Stevenson: No. That would be the effect on the actual growth of the crop. I do not know whether it would germinate or whether it would not grow. But you speak of residues. Then, of course, as you increase the nitrogen in the soil and it is taken up by the plant, I suppose there is a level—although I do not know it offhand and, certainly, we seem to be far from that level yet—where you would be into trouble with relation to more nitrates in a plant than can be accommodated by, say, animals or humans.

Senator McDonald: But you are a long way from that?

Mr. Stevenson: Yes. I do not really know the amounts. But in the usage of some fertilizers, take on potatoes, we have been up 16 or 18 hundred pounds of fertilizer per acre.

Senator McDonald: What I am concerned about is this. We know that with chemical weed sprays, insect sprays, there can be a residue left over in the plant, but, to my knowledge, this is not true as far as fertilizers are concerned. Is that true?

Mr. Stevenson: That is the way I understand the evidence today, with the nitrates, if you get up to these high levels consistently from the same thing, then there is some evidence that there can be uptakes by the plant which could be harmful, although in the grains we are far apart.

Senator Inman: I am interested in the weed killers. Do they affect the plant in any way?

Mr. Stevenson: The herbicides? They certainly will affect the plant, in large dosages, but with the herbicides that are on the market today or that have been on the market, I know of no evidence that implicates herbicides

in any residue problems with relation to toxicity to humans or to livestock. This is herbicides—the weed killers, as you say.

Senator Inman: I am interested because in Prince Edward Island so many crops are grown now for freezing for human food. In all those fields where those crops are grown, you can go through them and cannot find a weed at all

Mr. Stevenson: They are quite effective weed killers.

Senator Inman: I am wondering what effect, if any, would be passed on to humans.

Mr. Stevenson: To date I have never heard anyone mention them. I know it has been discussed and brought up from time to time. The herbicides so far in this area have a clean slate, so far as I know.

Senator Inman: Thank you.

Mr. Stevenson: That is so, Mr. Chairman, unless Mr. Jefferson has anything to add.

Mr. Jefferson: That is my understanding of the situation.

The Deputy Chairman: Thank you, Mr. Stevenson.

Now, Mr. Johnson, from the Department of Justice. Do you have a statement to make?

Mr. W. G. Johnson, Legislation Section, Department of Justice: Mr. Chairman, I have no statement to make, but if there are any questions you would like to ask me I will be happy to try to answer them.

The Deputy Chairman: From a legal aspect?

Mr. Johnson: Yes.

Senator Greene: I was interested in the question posed by Senator Lafond as to the apparent triviality of the penalties involved vis-à-vis the breaking of the law. Take the case of a very large multinational corporation which violated this act and was fined only \$2,000. I think there was an answer given that there was an average of only one prosecution per year. Has there ever been a prosecution under indictment, or are the only prosecutions, to the number of one a year, those which are taken by summary conviction?

Mr. Johnson: I must confess, Mr. Chairman, that I do not know the answer to that question. As far as our thinking goes on the size of the penalty, we felt that the economic deterrent—that you would lose a vast amount of feed, and the bigger the company the more feed they would lose, as a result of any crackdown by the federal government on this,—coupled with the fine would be sufficient. But I am sorry, I do not have the information on the type of prosecutions that take place.

Senator Greene: That has not been the record of experience in the United States. Westinghouse did not stop violating the anti-trust laws until a vice-president of Westinghouse was put in jail. That cured them very quickly. Some of the corporations that you are playing with are just as big as Westinghouse. I was wondering whether Senator Lafond has not a good point. There should be the potential of very serious penalties for officers of corporations who can be prosecuted under this act, because, if they are doing it willfully, it is surely much more detrimental to society

than the offence of a fellow who steals a loaf of bread to feed his children, for which he goes to jail. The president of a giant multinational corporation, who potentially is going to poison a lot of people, can apparently have nothing worse happen to him than a \$500 fine.

Mr. Johnson: Mr. Chairman, I am not clear about the question.

Senator Greene: I am wondering why, in the drafting of the amendments, we did not take the opportunity to show that we mean business. These are giant vertically integrated corporations in this business. It seems to me it would have a salutary effect to say to the boys who are taking chances, "You may get away with violations of the act, but the penalties on you, as corporate officers, are mighty serious. Do not think that you can just pay for a licence once in a while, pay a small fine, and then carry on." This is a good opportunity to show both them and the public that we mean business by putting in a really tough penalty.

The Deputy Chairman: Are there any further questions?

Mr. Johnson: Senator Greene, I do not feel that I am able to give you a satisfactory answer. The question of

whether the fine should be increased is one of policy. I cannot really answer you at the moment as to whether it should or should not be. It is a question of policy, and my job is that of a draftsman. I regret that I cannot give you a fuller answer at this time.

Senator Green: You are saying that it is up to us policy-makers to do it and not you?

Mr. Johnson: Yes

The Deputy Chairman: Are there any further questions for Mr. Johnson?

Thank you, Mr. Johnson.

There are no further witnesses this afternoon.

Senator McNamara: Are we about to adjourn? Do we not have to amend the bill?

Mr. Hopkins: There will be further witnesses to speak on this bill at the next meeting.

The Deputy Chairman: It is moved and seconded that the committee now adjourn. It is anticipated that the committee will meet again on Thursday morning. Notices to that effect will be sent to committee members. The meeting is now adjourned.

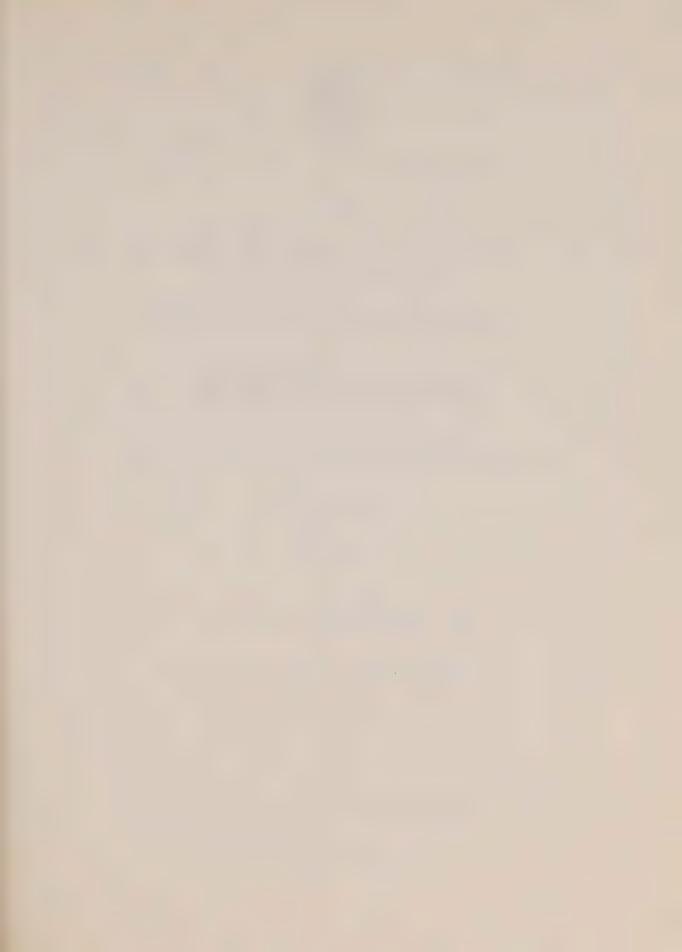
The committee adjourned.

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada,















FIRST SESSION—THIRTIETH PARLIAMENT

1974

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HERVÉ J. MICHAUD, Deputy Chairman

Issue No. 3

THURSDAY, NOVEMBER 7, 1974

Second Proceedings on Bill S-10, intituled:
"An Act to amend the Feeds Act"

(Witnesses: See Minutes of Proceedings)



THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman.

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue
Benidickson
Blois
Côté
*Flynn
Fournier
Haig
Hays
Inman
Lafond
Laing

McElman
McGrand
McNamara
Michaud
Molgat
Norrie
*Perrault
Sparrow
Welch
Williams
Yuzyk—(20)

(Quorum 5)

^{*}Ex officio member

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 23rd, 1974:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Argue, seconded by the Honourable Senator Heath, for the second reading of the Bill S-10, intituled: "An Act to amend the Feeds Act".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Argue moved, seconded by the Honourable Senator Forsey, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

ROBERT FORTIER Clerk of the Senate

Minutes of Proceedings

Thursday, November 7, 1974.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 10.00 a.m. to further consider Bill S-10, intituled: "An Act to amend the Feeds Act".

Present: The Honourable Senators Michaud (Deputy Chairman), Fournier (Restigouche-Gloucester), Inman, Lafond, McGrand, McNamara and Molgat. (7)

In attendance: Mr. E. R. Hopkins, Law Clerk and Parliamentary Counsel.

The following witnesses were heard: Canadian Feed Manufacturers' Association:

Mr. R. L. Gamelin, President;

Mr. C. L. Friend, Executive Secretary.

At $11.20~\mathrm{a.m.}$ the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, November 7, 1974.

The Standing Senate Committee on Agriculture, to which was referred Bill S-10, to amend the Feeds Act, met this day at 10 a.m. to give further consideration to the bill.

Senator Hervé J. Michaud (Deputy Chairman) in the Chair.

The Deputy Chairman: Honourable senators, the purpose of our meeting this morning is to continue consideration of Bill S-10, an act to amend the Feeds Act. This morning we have with us Mr. R. L. Gamelin, the President of the Canadian Feed Manufacturers' Association. With Mr. Gamelin is Mr. C. L. Friend, the Executive Secretary of the Canadian Feed Manufacturers' Association. We have with us as observers Mr. Muzyka, from the Canadian Animal Health Institute, and Mr. McBride, from the Department of Agriculture. I understand that Mr. Friend has a statement he wishes to read to the committee.

Mr. Curtis Friend, Executive Secretary, Canadian Feed Manufacturers' Association: Thank you, Mr. Chairman. I would like to give you first a brief outline of the background of the feed industry.

The Canadian Feed Manufacturers' Association consists of all major manufacturers of feed in Canada and has a membership of over 400 firms. The industry manufactures and sells approximately 9½ million tons of livestock feeds representing an annual sales volume of over \$1 billion. Because of the volume and size of the industry, it has a heavy impact on the nutritional advances in livestock feeding and ultimately in the production of wholesome meat, milk and eggs for the Canadian consumer.

Now, regarding Bill S-10, the amendments to the Feeds Act, our position is as follows:

The proposed changes in the Feeds Act are welcomed by the feed industry because they constitute changes in the current act requested by our association over the past few years. The broadening of the act will ensure the protection of the farmers and, consequently, of the consumers in certain areas. In general, we do not have any opposition to the act, but would like to make some specific comments and recommendations regarding certain sections.

Clause 1(1). The clarification of the definition of "feed" is consistent with latest technological advances in the industry that require incorporation into the act. For example, it now includes the non-protein nitrogen products which have come in to use by farmers in the last two years.

Clause 1(2), definition of "livestock". The additional clarification of "livestock" is also welcomed by our industry. It now includes fish, mink and rabbits. Our association has requested the federal Department of Agriculture to include under the Feeds Act pet foods for dogs and cats, although one could include dogs and cats in the definition of "other creatures". It is not spelled out in this new act whether the government intends to include pet foods under the act. Pet foods are presently not controlled under any existing act other than the Consumer Packaging and Labelling Act. Members of our association manufacture and sell better than half of all pet foods manufactured in Canada and, therefore, feel that the Feeds Act would be the logical place to establish pet food regulations concerning the nutritional value, and minimum and maximum guarantees similar to those applied to feeds for livestock. As the Department of Agriculture has the technical competence of establishing nutritional values for livestock feeds, its jurisdiction should be extended to include pet foods.

Clause 3. Under the present regulations it is permissible, if a medicated feed is not sold, to use medication in amounts greater than allowed by law—that is, under the Health Protection Branch, Department of National Health and Welfare, and the Feeds Act, C.D.A. Our association is pleased that the new act proposes to extend the authority to all medicated feeds regardless of whether they are sold or used for our own consumption. This step will further ensure that no excessive amounts of drugs are included in livestock feeds that could become a potential hazard to the environment or to man. We are in full support of this section.

That is the conclusion of our prepared text, Mr. Chairman.

The Deputy Chairman: Thank you, Mr. Friend. Are there any questions from members of the committee on the statement just made by Mr. Friend?

Senator Molgat: Mr. Chairman, I wonder if I might ask questions on some of the figures that were given? I believe the witness said that the annual production was $9\frac{1}{2}$ million tons. Is that correct?

Mr. Friend: Yes.

Senator Molgat: What percentage of that would be used for pet foods?

Mr. Friend: That does not include pet foods at all, sir.

Mr. R. L. Gamelin, President, Canadian Feed Manufacturers' Association: In terms of tonnage, the amount of pet food is somewhat small in comparison to livestock or poultry feed. In dollars, of course, pet food is far more expensive than livestock or poultry foods, but in volume it is quite small in comparison. If you want to

make the comparison in volume percentages, it would be about 8 or 10 per cent—something of that nature.

Senator Molgat: In any event, it is not included in those figures of 9½ million tons and \$1 billion?

Mr. Gamelin: No.

Senator Molgat: Are those figures purely Canadian production manufacturing?

Mr. Gamelin: Yes.

Senator Molgat: Are there any imports included in that?

Mr. Gamelin: No.

Mr. Friend: No, there are no feed imports as such. There may be imports of ingredients.

Mr. Gamelin: A few tons may come over the border occasionally, but it would be insignificant. The ingredients are imported, such as soya bean meal and things of that nature.

Senator Molgat: But there is no complete feed coming in as an import?

Mr. Gamelin: No, although we could make an exception out West, because there is a little bit of feed imported for the Mennonite group out there. They are being serviced by some American mills just across the border. But that again is very small.

Senator Molgat: It is not a significant amount.

Mr. Friend: It would be less than 1 per cent, if that.

Senator Molgat: Do we export a portion of this $9\frac{1}{2}$ million tons?

Mr. Friend: Yes, we have exports.

Senator Molgat: Do you have any idea of what proportion of that $9\frac{1}{2}$ million tons is exported?

Mr. Friend: No, I have not looked at the export figures. I would think there are some shipments which have gone to the Caribbean area, to Jamaica and those places, but again we have not been competitive on the export market in manufactured feeds.

Senator Molgat: Basically, then, this is for Canadian consumption?

Mr. Gamelin: That is right.

Senator Molgat: With respect to feeds at the farm level, many farmers have their own hammer mills or their own means of making feed and so on. Do you have any idea what proportion of the total feed consumption would be involved in that?

Mr. Friend: There are three million tons of complete feed sold by the industry to farmers. That is complete feed that can be fed directly to livestock. The other six million tons are made of concentrates and supplements which are either mixed at the dealer level or at the farm level, in which case you would get, say, 200 pounds of pre-mix and would mix that with your own grain on the farm or at the local dealer level.

Mr. Gamelin: But the farm mixing, per se, percentagewise is still very small. The pre-mixes and the concentrates are mainly used by local, smaller mills who are performing the service locally. But there are mobile mills, for instance, and there again there are no statistics published on the percentage of the total feed manufactured which is handled by these people. Again it is small.

Senator Molgat: It is small?

Mr. Gamelin: It is regional. It is spotty. For example, eastern Ontario will have more mobile mill output than probably the whole of Quebec and the Maritimes put together. It is spotty and the investment is so high in the unit itself that the costs of manufacturing one ton of Chow are quite heavy. This type of machinery or equipment must be used day in and day out, just in order to become profitable.

Mr. Friend: There is a heavier concentration in Saskatchewan.

Mr. Gamelin: Yes, which is understandable.

Senator Molgat: Whatever these portable mills use, in your production figure you take only the concentrate they put in?

Mr. Gamelin: Yes.

Senator Molgat: You do not consider the total output, which includes grain from the farm, but only the concentrate?

Mr. Gamelin: Yes.

Senator Molgat: Is there any kind of estimate—and I realize it must be an estimate—of the total consumption in animal feeds in Canada?

Mr. Friend: It is between 18 million and 20 million tons.

Senator Molgat: In other words, the manufactured proportion represents roughly half of the total consumption?

Mr. Friend: Yes.

Senator McNamara: Mr. Chairman, there was an amendment proposed at our last meeting by the officials of the Department of Agriculture. You are acquainted with this proposed amendment; are you quite happy with it?

Mr. Friend: We have not had sufficient time to discuss it with all our committees since Tuesday. I could only offer a quick impression. We believe that the word "biological" was deleted because of Food and Drug, and in that area some competition still exists as to who controls which segment of agriculture, the Food and Drug Directorate or the Department of Agriculture. Our position has been in favour of Agriculture because of the confidence we have in our production for feeding the nation and others, rather than limiting it to a health protection branch.

Senator McNamara: It seemed to me when we discussed it that this clarified it and was a good amendment, but I wish to know your reaction.

Mr. Friend: They really have returned to the old definition.

Senator McNamara: Yes.

Mr. Friend: I am not a lawyer, so I could not really answer as to the implications of the words "biological functions" in the legislation.

Senator McNamara: I am no lawyer, either.

Mr. Friend: From our point of view "biological" made sense because the feeding of nutrients affects the biological system of a being.

Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel: Mr. Chairman, may I ask one question for clarification? Your association is not suggesting any amendment of the act, but you would like to know if there is an intention to include pet food, which can be done by regulation under section 1 of the act?

Mr. Friend: Yes, we would be happier if it were included.

Mr. Hopkins: You would be happier if it were included in the act itself?

Mr. Friend: At the moment there is no control at all on pet food.

Senator Molgat: It does not come under any act?

Mr. Friend: No, it is just contained in the labelling.

Mr. Gamelin: We are saying that we would welcome the opportunity of taking over that responsibility, because it seems that no one now has it or wants it, because no one has ever asked for it.

Mr. Hopkins: May I remark that this is the first time in my experience that any organization has appeared and asked to be regulated.

Mr. Friend: We believe we will be regulated sooner or later.

Mr. Gamelin: Somehow.

Mr. Friend: If we were to establish nutrition guidelines for animals, why should not they fall under the Feeds Act? I understand that the Department of Agriculture is not keen to introduce a budget for the control of this.

Mr. Hopkins: That is a very large problem, is it not?

Mr. Friend: Yes.

Mr. Gamelin: Yes, and it is a new business.

Mr. Hopkins: Comparatively new?

Mr. Gamelin: Yes. To go back 10 or 12 years, pet food was a very, very small part of the industry. The growth of that business in the last 10 years has been fantastic. Of course, we have reached a plateau at this point, because there is a limit to how many dogs or cats can be kept in one house.

Senator McNamara: This developed in the United States prior to introduction into Canada, did it not?

Mr. Gamelin: That is right.

The Deputy Chairman: Could you give me any figures relative to the overall production of pet foods in relation to the overall production of feeds?

Senator McGrand: Is there any supervision over the manufacture of pet foods? To see them advertise, you would think they were the most expensive and nutritious food in the world. I have been informed, however, that much of that pet food does not contain half the nutrition which is advertised.

Mr. Friend: That is very, very true of some companies, Senator McGrand.

Mr. Gamelin: I would say, excluding ourselves, because you all know that I am with Ralston Purina and I would not want you to make any relationship to it, but any other product in this form is manufactured on the same basis as are U.S. products. These are very closely regulated, just as closely as human food for that matter in the United States, so firms that use the same formulation here in Canada, of which there are many, of course, would have a comparable product in quality and under the same controls or guidance. However, there are others which are not subject to controls, verification, or what-have-you. If they do not make any claims, they are not really guilty of anything because they offer a product for sale and as long as it is good, eatable, palatable, smells good and appeals to pets, this is it. This, however, is one of the developments which really would take place if someone were given the authority to follow very closely the manufacturing of such products.

The Deputy Chairman: I do not think my question has been answered. It related to the production of pet food as a proportion of the over-all production of feeds?

Mr. Gamelin: We feel it is 10 per cent, but no statistics really exist.

Senator Molgat: It would therefore be approximately one million tons.

Mr. Gamelin: All told, I would say so. Mind you, we should not confuse you, because the term pet food includes semi-moist, moist and dry food. Ninety per cent is dry, in comparison to semi-moist or moist, which stands at approximately 60 per cent to 40 per cent. There is still more moist product sold than dry, but the conversion in the last two or three years has been very evident and rapid. Five years ago the dry market was approximately 10 or 15 per cent of the total market and it has risen to 47 to 48 per cent. Five years down the road it will probably be 70 per cent to 30 per cent in comparison to moist.

Senator McGrand: What is the quality of the meat in canned pet foods?

Mr. Gamelin: I could not really answer that, because we do not personally manufacture such a product. Our product is dry. But I see some good products, semi-moist or moist products, on the market with a high percentage of protein. With others, of course, you have a lot of cereal incorporated in it.

Senator McGrand: A few years ago, when beef was scarce, there were people who put dead animals on the market for human consumption. There were several occasions here in Ottawa and Montreal. Is there any objection to putting the flesh of dead animals into pet food?

Mr. Gamelin: There could be, but I would be very surprised if that happened, because usually the dead animals are sent over to rendering plants where they make meat meal out of that type of product. But you would not use it as you are thinking at the present time.

Senator McGrand: You would not use it as pet food?

Mr. Gamelin: No.

Senator McGrand: Where would it be used? You say it goes into meal.

Mr. Gamelin: Meat meal. It is dried off and ground.

Senator McGrand: Who or what consumes it?

Mr. Gamelin: In many areas. You use it a lot, for instance, in fur animal products—mink food. In the past we used it for fox, but we do not have so many foxes now. It is also used for rats.

Senator McGrand: You mean laboratory rats?

Mr. Gamelin: Yes; also mice—laboratory animals. I am sure that the better quality products correspond with government regulations and could be used as a source of protein in other types of feed—for poultry, hogs, and so on.

Senator Inman: I read the other day where some people who could not afford to buy meat in the proper market were buying canned pet foods in the stores. I read that in one of our newspapers. What effect would that have on people, if they were able to stomach it?

Mr. Gamelin: I suppose that can happen. I suppose it does. It always has and always will. Mind you, there are some products on the market, some canned pet foods, of a very high quality. But it is a pet food product and should not be consumed by humans, if only for the psychological reason that you have good human food products on the market. Why not buy those instead of buying pet food products for human consumption? It is cheaper, of course, and I suppose it could happen. I have never personally seen it happen, but I have read about it, as you have.

Senator Inman: I know that some years ago, when the fox business was flourishing in Prince Edward Island—my province is the birthplace of the fox business—

Mr. Gamelin: Yes indeed; and still today the best fox fur comes from your area.

Senator Inman: Yes, it does. I remember at that time they would not feed dead animals to their foxes. They were very particular.

Senator McGrand: What is the objection to it, because wild animals do not hesitate to eat dead meat?

Mr. Gamelin: I am no nutritionist or pathologist, or a doctor, to that degree; but I would imagine that wild animals suffer very little disease, because the strongest survive and the weak die. Over a period of years you have a reliably healthy group of wild animals. Any concentration of domestic animals—hogs or poultry—has to some degree contributed to making domestic animals more susceptible to disease.

Senator McGrand: That is what I wanted to bring out. In the case of foxes running in the wild, there is no problem, but with 50, 60 or a couple of hundred foxes on the range there could be a problem. They always say that a monkey or baboon in the wild does not need a psychiatrist, but when put into a zoo they have emotional problems. So concentration does in itself produce problems, is that not right?

Mr. Gamelin: Yes. Mind you, when you refer to dead animals, the meat that could be used is very little. There is a lot of horse meat. They are healthy animals, as are a lot of other animals. Poultry is condemned, not because of disease but because of, perhaps, spotted skins. In going through the chain of processing, the skins are burned. There are many reasons why you would condemn poultry, and the moment you remove the skin the meat is just as good as the next bird on the line which is totally healthy. If they are not healthy, the veterinarians call them out and they are burned. There is fairly rigid control on those, but, there again, there is always the possibility. As long as we are dealing with humans there are always all kinds of possibilities.

As a rule, I think you will find that pet food on the Canadian market is of fairly good quality. I am not referring at this point to whether the percentages of cereal or meat are the same—they vary as from day to night—but the nutrient values and standards of quality are pretty good. Of course, the cheaper the product, the cheaper the quality. There is more water. That is why the soft moist and moist products are a lot cheaper per unit, but in value they are a lot dearer.

One pound of a well-balanced dry dog food is equivalent to three pounds of moist. Of course, the consumer has to make the comparison himself as to whether it is more economical for him to use one product or another. He has water at home which he can use. He is already paying his water bill. There is duplication there, if he is paying for water. It is rather like natural mineral water. It is getting to be a very big market.

Senator Inman: Chicken livers was a favourite of a little dog that we had. I wonder where those livers came from. Chicken livers are used medicinally. They make a liver extract from them. Would they use marketable livers for dog food?

Mr. Gamelin: I did not quite understand your question, senator. I think you are referring to chicken livers.

Senator Inman: Yes, chicken livers for dog food. I am saying that chicken livers, as you know, are used as an extract for injections. What sort of livers do they put in dog food? Would they be expensive livers, or would they come from dead animals?

Mr. Gamelin: I do not think you would have enough in the first place from dead animals. Secondly, I think that

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if you had an opportunity to visit processing plants you would find that today the industry is not selling the dressed-type birds like they used to. They used to put the livers and the heart into a bag and insert it into the carcass, but today many of those organs are removed and sold separately. You can go to a processing plant today and buy livers only in quantity if you happen to be a lover of liver. So I believe that is where they would get it in sufficient quantity to manufacture a product that is offered for sale, whether it is a pet food product or not. But there are not that many dead animals to cope with the possible requirement of a pet food plant. Mind you, I should point out that we are not in that business, but I am speaking from what I know generally through the feed manufacturing and processing industry. But I do not think that too many people would rely on that sort of thing.

Mr. Friend: Mr. Chairman, is it permissible to comment on some of the testimony given on Tuesday last? Here I am referring to the question of fines. Senator Greene brought up the question as to the penalty for infraction. Perhaps I should backtrack a little by saying that the industry is selling to the same customer on a continuous basis, and therefore to sell a feed that is not in compliance with the act is similar to selling ourselves out of business. If you sell a product that does not adhere to the regulations as stated, that is the fastest way of losing business.

Mr. Gamelin: It would be suicide.

Mr. Friend: That is one of the reasons, as was pointed out, why the number of cases coming to court is less than one a year. The fine in itself, from our point of view, could be \$2 million rather than \$500, but that would not affect the attention that the industry itself pays to the quality of the product it sells. The fine in itself is not as important to the industry. It could be \$500,000, but it would have no bearing on the behaviour of the industry. The reputation of the company and the continued purchase of its products by the farmer is far more important than trying to deviate from the regulations. The regulations, in general, under the act have in mind on a sound nutritional basis to get the best possible performance from a pound of feed in relation to a pound of meat.

Mr. Hopkins: You mean to say that the mere fact of the prosecution itself would result in a loss of business?

Mr. Friend: Oh, yes. The loss of business would precede the prosecution.

Mr. Hopkins: It would depend on the dissatisfaction of the customer.

Mr. Friend: If I am buying from company "X" and I have 50,000 broilers on feed and something is wrong with that feed and so I lose the 50,000 broilers, then what would happen first of all would be a civil case where I would sue the company to get reimbursed for the loss of the birds. The fine itself is there just as any act must have a fine, but the economics of producing a product that does not perform involve far greater sums of money.

Senator McNamara: There would be the question of the publicity as well.

Mr. Gamelin: There is also the fact that we deal with the same people day in and day out. Most manufacturers would tell you this morning that they have been dealing with the same people for 30 or 40 years, and you cannot hope to retain a customer unless you give full satisfaction. I do not think the fine itself has any real bearing on the matter—you can make it anything you want. That is not what really plays a part in the manufacturer's thinking so far as making sure that his product is top quality is concerned and that it will cope with whatever claim he makes.

Mr. Friend: Canada has had an enviable record in this whole feed area, although it is still a young industry; it did not get started really until 1930. If you look at other countries, and particularly if you happen to look at the prosecution figures in Japan which has a production tonnage which amounts to about twice the figures here, you will see that the number of prosecutions there per year runs to about 3,000 or 4,000. When you compare that with less than 1 per year here, I think that exemplifies the responsibility of the industry here.

Mr. Gamelin: I think Canada can really go out and brag about the fact that its feed industry is right up there so far as quality is concerned. Even when there is a problem, it is a clear-cut formulating or manufacturing problem, and there is a policy of adjustment between the customer and the manufacturer and it is usually settled without argument.

Mr. Friend: It is usually a mistake that has happened.

Mr. Gamelin: It is handled internally.

Mr. Friend: The other point we have some concern over is the reference made to the number of civil servants. We do not quite share the optimism of the department with regard to the number of staff required to administer this extensive act. The number of people directly responsible where feed is concerned does not come anywhere near the figure Mr. Jefferson gave.

Senator McNamara: The department and the law will take care of that.

Mr. Friend: I wonder, senator, because we feel there is considerable competition between the Department of National Health and Welfare and the Department of Agriculture in this area, and we see signs that Health and Welfare may possibly get the bucks a lot faster than Agriculture.

Senator Molgat: In other words, you want the inspections? You are not resisting the inspections? You are encouraging more staff in order to do that?

Mr. Friend: Yes.

Senator McNamara: But you would prefer that it should be Agriculture rather than National Health and Welfare?

Mr. Friend: We would prefer Agriculture, yes.

Mr. Gamelin: Whatever we do, our industry this year is on a program which we call the "KIS" program. That has nothing to do with love. It means to "keep it simple", so that the cost is brought to a minimum. Economically, everyone has to do his bit to reduce costs. Let us not

sophisticate, confuse or complicate any program. Whoever is best qualified or organized to handle the regulations, let him do it. In this case we feel that the Department of Agriculture is qualified to do it and is equipped to do it, possibly with some minor additions.

Mr. Friend: Particularly in view of the problems involved in animal agriculture this year and in the foreseeable future with respect to higher grain prices. There is hardly a sector of agriculture today that is really making money. Even the beef industry is losing. We really have to keep our eyes entirely open to any possible ingredients we might be able to use in the industry to enhance the production of meat, milk and eggs. The more limitations there are placed on what kinds of ingredients we can use, the more difficult it is. For example, if we could use more wood pulp, or any of those kinds of products, for cattle feeding, it would make cattle feeding less costly than by feeding them grain. But it requires a concerted effort on the part of the industry as a whole, on the part of the farmer and on the part of the Department of Agriculture to come up with programs and products that, on the one hand, will make a profit for the farmer, and, on the other hand, will allow the consumer to obtain these foods at a reasonable price.

It is for these reasons that we do not want any more roadblocks in the way than absolutely necessary. Of course, the public health has to be protected at all costs, but at the same time we cannot afford to overlook ingredients that, although they may not have had appeal in the past, are perfectly safe to use. The usual approach in the past on the part of a health protection branch has been not to allow it and then worry about it later, despite the fact that a particular substance may have been scientifically proven to be of advantage to the industry.

Mr. Gamelin: All of this is to say that limitations are one thing but delays are far more serious to the industry. In other words, let us not have anything that would delay. If we have to have certain limitations for justifiable reasons, fine, but let us have them in such a way that no delays occur, because we need to move now in order to keep the economy sound.

Senator Molgat: Does salmonella remain a major problem in so far as the manufacturers of feed are concerned?

Mr. Gamelin: I would say yes, although it is cyclical. It is only periodical now, whereas before it was a continuous problem, particularly in poultry. Today we have made a lot of headway so far as that is concerned.

Mr. Friend: The majority of feeds today are pelleted, and steam treatment together with the pellet kills the salmonella.

Mr. Gamelin: Yes, it gives you some control.

Senator Molgat: What is the situation of the farmer who has purchased feed which has had salmonella in it, and, as a result, he suffers financial losses? Would that be strictly a civil matter or would he be protected in any way by the regulations of this act?

Mr. Friend: My understanding is that it would be purely a civil matter. I could be wrong on that.

Mr. Gamelin: The scope of salmonella is so broad, you know, that it is hard to pinpoint. I really could not give

you a very intelligent answer on that, because we have had no outbreaks for quite a number of years. But it is there.

Senator Molgat: It is there and it is hard to pinpoint, I appreciate that, but there have been losses at the farm level.

Mr. Gamelin: That is true. As I mentioned before, the major problem we have had has been in poultry, and now 99 per cent of poultry, except perhaps generally poultry, is being fed with the checkered form or type of feed, the textured kind, and this gives you pretty good control. The same is true with respect to hogs. Most hogs today are fed with checkered feed, or pelleted feed.

Senator Molgat: Just returning to the question of pet foods, a while ago you gave us an estimate of one million tons. I realize that is just an estimate, but have you any estimate in dollar volume?

Mr. Friend: I have not looked at the last figures of Statistics Canada. Those figures that are published under the feed section are not quite complete, in any event, because some of the companies that are entirely in the human area, such as General Foods, are not necessarily involved in our figures.

Senator Molgat: You are suggesting that pet foods should be included in the act, and the point I am concerned with is what that might impose on the department by way of staff and extra cost. How much would be involved here?

Mr. Friend: I could not estimate what the government would require. The establishment of nutritional guidelines should not be that difficult for the department, though. As far as enforcement is concerned, I do not think that Agriculture could enforce it, because it is a supermarket approach from the sales point primarily. That is the largest portion of it. I think it would have to be a combination act between the Department of Consumer and Corporate Affairs and the Department of Agriculture, in the same way as the labelling act is a joint act between the Department of Agriculture and Consumer and Corporate Affairs. On the other hand, the establishment of guidelines or standards for pet foods could easily be established by the Department of Agriculture without its being involved in the policing of it.

Senator Molgat: Are there elements in the pet food part of it which would affect human health? I realize that under the act one of the reasons for the control of the drug side is that when these things are fed to the animals there is then a possible subsequent effect on human health. But how does the control of pet foods relate to human health?

Mr. Friend: It does not relate directly, unless, as you pointed out, some people eat it. It is not recommended for human consumption, however, and it would not affect human health at all.

Senator Molgat: It would have no effect there?

Mr. Gamelin: In fact, there is no medicated pet food per se. If anyone has a pet suffering he goes to see the veterinarian and it is a specific treatment for one specific animal.

Disease control or prevention with respect to other animals, such as poultry, hogs or dairy animals is incorporated and becomes a feeder additive. This could have some bearing if the regulations were not followed very closely, but they are, because there have been only very few violations.

I would like to make one point, which I believe to be valuable. When we speak of pets, we seem to think that all pets live in urban areas. However, more pets are kept on farms today than in the cities. There are very few farms which do not have one, two or three dogs or cats. Sometimes there are a few ducks and rabbits for the children to play with. Even wild animals are kept for little boys and girls who may have a fancy for them. One farm may keep as many as eight or 10 pets, while in the city one or maybe two cats is the limit. The pets on the farm, however, are not fed in the same manner, but with all the other animals in most cases. Therefore, part of the total volume we are discussing constitutes a proportion of pet food. There is a large volume consumed by the rural pets and those on the farms which is not accounted for here. It is part of the livestock and poultry feed total consumption. I suppose eventually, with time, they might be fed differently, but now it is all the same.

Senator Inman: They are fed by scraps from the table, milk and so on.

Mr. Gamelin: Yes.

Senator Molgat: I suppose I am attempting to ascertain for my own satisfaction why pet food should be included in an act under the Department of Agriculture. I can see that possibly under the Department of Consumer and Corporate Affairs there should be regulations in connection with proper labelling, so that no unscrupulous manufacturer could sell an imperfect product. However, I do not see how this fits into a Department of Agriculture act, the purpose of which, I assume, is the protection of livestock because of the effect on human health.

Mr. Friend: No, the basic Feeds Act was not to protect human health, but to establish nutritional standards in the feeding of livestock. The medication provisions have only been in the act for approximately 15 years. The original Feeds Act was basically to do with the nutritional feeding of livestock. It had nothing to do with the health of humans, or medication, at that point.

Mr. Gamelin: Because the additives are only introduced whenever there is an outbreak of disease. Erysipelas in turkeys and hogs was a terrible thing 25 years ago and these additives had to be introduced into feeds. This is not the case today, because hardly any cases of erysipelas or blackheads in turkeys occur. The Feeds Act is now relative to the nutritional value of the product.

Mr. Friend: Senator, if you refer to the regulations, the majority deal with minimum guarantees of nutrients, proteins, fibre, fats and other substances.

Senator Molgat: So the initial purpose was to protect the purchaser, the farmer, to make sure that he was in fact receiving the product he was supposed to from a nutritional value viewpoint?

Mr. Friend: Yes.

Senator Molgat: You indicated that 400 firms are members of your association.

Mr. Friend: Yes.

Senator Molgat: Does this represent all firms in the industry?

Mr. Friend: All the manufacturers.

Senator Molgat: Every Canadian manufacturer of feed is a member of your association?

Mr. Friend: Not necessarily all dealers. The manner in which this industry operates is that companies such as Canada Packers, Maple Leaf, and Ralston Purina, which are some of the larger concerns, sell to dealers the manufacturers registered under the Feeds Act with the Farm Products Division. Then the franchised dealers sell the product to the farm, or the company may sell directly to the farm.

Mr. Gamelin: All manufacturers are included in the membership, but not all feed dealers.

Senator Molgat: The feed dealers do not transform the product, but take it in this manufactured form?

Mr. Friend: They may take the pre-mix we discussed and mix it with their own or the farmer's grain.

Senator Molgat: But they do not add drugs?

Mr. Friend: No, the drugs would be contained in the pre-mix.

Mr. Gamelin: That would be true of 99 per cent of the pre-mix.

Senator Molgat: They would only be adding grain or straw?

Mr. Gamelin: Shorts or middlings.

Mr. Friend: Unless they have a registered feed themselves.

Mr. Gamelin: At that point they would be manufacturers.

Senator Molgat: Are any firms in the pet food business not members of your association?

Mr. Friend: Yes.

Senator Molgat: Are they manufacturers?

Mr. Friend: Yes.

Senator Molgat: What percentage of the pet food manufacturers would be members of your association?

Mr. Friend: Approximately 50 per cent, as is stated in the brief.

Senator Molgat: There is no association, I take it, of pet food manufacturers?

Mr. Friend: Yes, there is.

Senator Molgat: Do they support your view that they should be included under the act?

Mr. Friend: I do not know what their position is. We have not spoken with them recently.

Mr. Gamelin: I could add that the larger manufacturers would be divisions of feed manufacturers.

Senator Molgat: Certainly all the large packers are in it.

Mr. Gamelin: Yes.

The Deputy Chairman: Are there further questions? If not, this covers the program for this morning. I would like to make this announcement to members of the com-

mittee. On November 13 we will hold a meeting to consider Bill S-6, an Act to amend the Canadian Wheat Board Act. The Honourable Otto Lang will attend as our witness. On the following day, November 14, we will hold a further meeting to consider Bill S-10, an Act to amend the Feeds Act. At that meeting we will hear from representatives of the Consumers Association of Canada. Further notices of these meetings will be forwarded to members of the committee, of course.

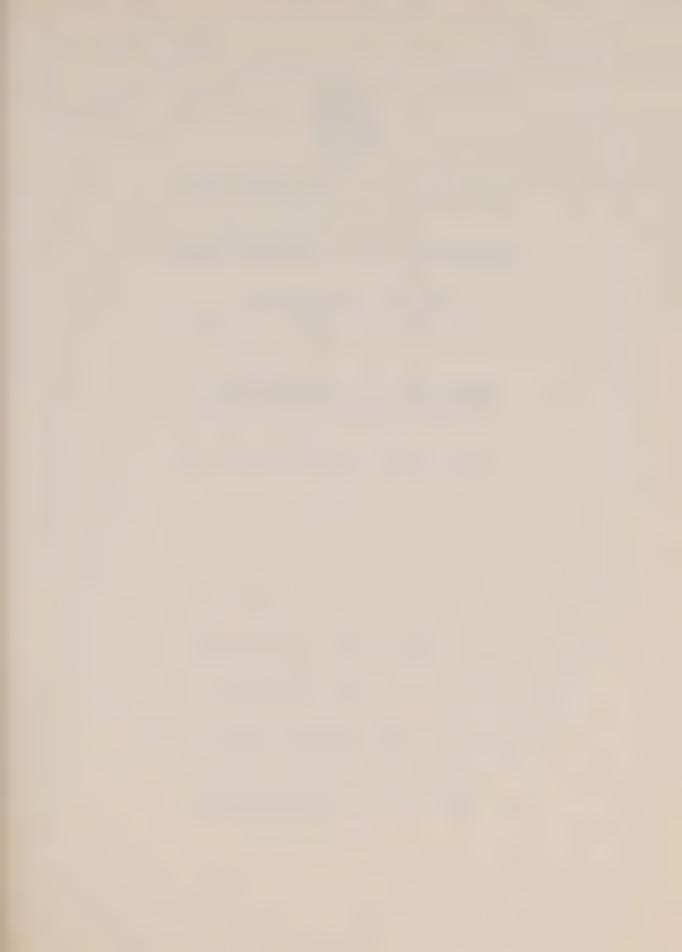
The committee adjourned.

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada













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Publications

FIRST SESSION—THIRTIETH PARLIAMENT
1974

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 4

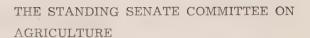
WEDNESDAY, NOVEMBER 13, 1974

Second and final Proceedings on Bill S-6, intituled:

"An Act to amend the Canadian Wheat Board Act"

REPORT OF THE COMMITTEE

(Witness: See Minutes of Proceedings)



The Honourable Hazen Argue, Chairman
The Honourable Hervé J. Michaud, Deputy Chairman
The Honourable Senators:

Argue Me
Benidickson Me
Blois Me
Côté Mi
*Flynn Mo
Fournier (RestigoucheGloucester) *Pe
Haig Sp
Hays We
Inman Wi
Lafond Yu
Laing

McElman McGrand McNamara Michaud Molgat Norrie *Perrault Sparrow Welch Williams Yuzyk

*Ex officio member 20 MEMBERS (Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 23rd, 1974:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Buckwold, seconded by the Honourable Senator Carter, for the second reading of the Bill S-6, intituled: "An Act to amend the Canadian Wheat Board Act".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Buckwold moved, seconded by the Honourable Senator Carter, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Wednesday, November 13, 1974

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day, at 3.30 p.m. to further consider Bill S-6, *intituled*: "An Act to amend the Canadian Wheat Board Act".

Present: The Honourable Senators Argue (Chairman), Benidickson, Blois, Côté, Inman, McGrand, McNamara, Norrie and Sparrow. (9)

Present but not of the Committee: The Honourable Senators Boucher, Greene, Molson and Prowse. (4)

In attendance: Mr. E. R. Hopkins, Law Clerk and Parliamentary Counsel.

The following witness was heard:

The Honourable Otto E. Lang, Minister of Justice and Attorney General of Canada.

After discussion and upon Motion of the Honourable Senator McNamara, it was Resolved to report the said Bill without amendment.

At 4.30 p.m. the Committee proceeded to consider the next order of business *in camera*.

At $4.50\ \mathrm{p.m.}$ the Committee adjourned to the call of the Chair.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Report of the Committee

Wednesday, November 13, 1974

The Standing Senate Committee on Agriculture to which was referred Bill S-6, intituled: "An Act to amend the Canadian Wheat Board Act" has, in obedience to the order of reference of Wednesday, October 23, 1974, examined the said Bill and now reports the same without amendment.

Respectfully submitted.

Hazen Argue, Chairman.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Wednesday, November 13, 1974

The Standing Senate Committee on Agriculture, to which was referred Bill S-6, to amend the Canadian Wheat Board Act, met this day at 3.30 p.m. to give consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we are delighted to have the minister in charge of the Canadian Wheat Board with us this afternoon, the Honourable Otto Lang, who I am sure is willing to answer any questions we may have on the bill. I would also invite Mr. Lang to make any general remarks he likes on the grain situation and the responsibilities that are his. I am sure we would be delighted to hear from him. I think I can say, without fear of contradiction, that he has done an outstanding job as minister in charge of the Canadian Wheat Board, and we all appreciate the efforts he has made. We welcome him here this afternoon.

Mr. Minister, if you would now care to talk about the bill itself, which is not a very complicated one, and make any other general statement you might wish to, we would appreciate it.

The Honourable Otto E. Lang, Minister of Justice and Attorney General of Canada: Thank you very much, Mr. Chairman. I shall take advantage of your invitation to speak briefly about a number of things as well as this short bill.

The purpose of the bill, of course, is to avoid a difficulty that occurred in one year recently, and could conceivably occur again, which is that there might be some uncertainty in the taxation year in which a final payment will be received by the producers of grain on the Prairies who deliver to the Canadian Wheat Board.

The Canadian Wheat Board pays an initial price on grain, and when enough grain has been sold so that the pool into which the grain is placed can be closed it determines the distribution of the balance of the proceeds that have been obtained from the sale of that grain abroad. The pool, therefore, logically and conveniently, closes after an adequate amount of grain has been sold so that the Wheat Board can make a proper pricing calculation in regard to it. That has frequently come in the calendar year following the close of the crop year, which ends on July 31.

A year ago the rapidity of sales allowed the calculation to be made in fact in October-November, and the payment issued to farmers in November or December, and, therefore in the taxation year in which they had received the final payment on the previous crop, which had followed the more normal practice.

Because many farmers try to do a little bit of tax planning in what is a very uncertain income business,

they would like some certainty in this respect. We cannot really assure them that the payment will be made in the same taxation year as the crop years ends, because often that would be too soon. However, I think we can assure them that it will be made in the year following, because it would be only occasionally and for a very short period of time that that would mean a delay in the actual issue of the payments. In this bill we indicate that the board should not make the payment until January 1 of the year afterwards, or the year following the crop year that has ended.

Mr. Chairman, I shall talk a little more generally about the grain situation on the Prairies. The Prairie crop this year ended up being harvested fairly fully because of extremely good weather conditions in the month that has just ended. However, a good deal of the grain came off in a tough or damp condition because it was harvested earlier while damp conditions prevailed in the Prairie region.

Frost damage, resulting from the late seeding which occurred because of the flood conditions in the spring, caused a good deal of the crop to be of lower quality than normal. That will cause some change in the Wheat Board's selling practices. It has been labelled by some as a "disaster" in the sense of being a crop of the poorest quality the Prairie region has ever known. But it is important to put that into perspective. The demand for our grain in the world is so great at the moment that this crop will sell, and sell for very good prices. As a result, this crop that has been called a "disaster" will probably be worth more than any other crop in our history, except the one which we just finished disposing of, and worth a good deal more than any previous record. That puts it into perspective.

According to the Wheat Board's analyses, we have good supplies of the kind needed to meet commitments. We have just made another commitment, a further and larger commitment in regard to our aid effort, of one million tons a year for each of the next three years. The Wheat Board is satisfied that there are indeed additional supplies, but the question of the exact volume is somewhat speculative because it depends upon the willingness, in the end, of the farmers to deliver grain to the board. If we really had to go into an all-out effort, I think there is some slack or leeway there for us to encourage further deliveries. The income position of the Prairie farmers will again be very good.

The new feed grain policy is in operation now in its first full year, and a significant quantity of grain is being offered to the off-board or open market. The advantage there is that the farmers can deliver without regard to any quota restrictions, so that if they do not want to store their grain they can sell it for a total price immediately, but they do not have the advantage of the pool price which Wheat Board selling gives them.

There is some concern on the Prairies that a rather large volume is going into the off-board market. However, in fact, I think it is to be expected that a lot will flow into that market in the autmn, and harvest time is the most logical time for that to happen. In any case, the amount that will be taken by the Canadian domestic market is fairly firmly limited by the eating desires of the various animals around the country, and will not really be any different under this policy than it would have been if the Wheat Board were directly handling the transfer of that grain to parts outside the region.

There is also some concern at the moment on the Prairies about the initial prices for wheat, barley and oats. The prices were set last March 1 for the crop year August 1, 1974 to July 31, 1975 at levels corresponding generally, except for barley, to the levels which had been set at the beginning of the previous crop year.

In the previous year, when conditions made it plain that a very large amount, in addition to the initial payment, was being acquired by the Wheat Board for selling the grain, we authorized an increase in the initial payment and an adjustment payment on what had been delivered. That significant increase in the initial payment was made on March 1, 1974. There is pressure in somewhat similar circumstances to make similar increases. In my mind the question is merely one of timing. We did wait until March 1 last year. I have no doubt we will make the increase earlier this year, but we have not yet decided whether to make it sooner or wait, at least, until the new year.

Mr. Chairman I think that is all I have to say in a general way.

The Chairman: Thank you very much, Mr. Minister. On the point of increasing the initial prices, can the farmers postpone the acceptance into income of the adjustment payment, or do they have to take it in the year in which it is made? That would be a factor, too.

Hon. Mr. Lang: Yes, it is. He has to take it into income in the year the adjustment payment is made. So that even if, when he delivered his grain, he postponed the receipt of the initial payment until 1975, and if we now made an adjustment increase in the initial price he would receive that adjustment on that grain in the year 1974. That is one argument for waiting until January 1, 1975.

The Chairman: It would be a bit of an anomaly. If he could take it into account next year I would think an increase in the initial price now would be a signal to him, or an indication to him, that the crop is, in fact, more valuable. There is just one point that bothers me. I shall ask your opinion about it, and then turn the meeting over to questions. Let me put this to you in the way I see it. To me, if a farmer sells feed wheat on the open market, he is likely to receive as a total price, a total payment, a good deal less than if he sells it to the Canadian Wheat Board. I do not really know the answer, but this is what I think the situation is. The Wheat Board, especially having regard to the fact that we do not have enough good milling wheat now to meet our commitments, will very likely receive a good deal more for the better quality feed wheat-certainly the top part of the feed wheat-than the farmer is likely to get on the open market, so a farmer would, in fact, be very wise to sell to the Canadian Wheat Board.

Hon. Mr. Lang: If I were to make a generalization in regard to a period of years rather than a specific year, I would agree with that statement. Generally speaking, I would expect the Wheat Board sales on the export market to obtain for the farmer a somewhat higher return than sales made in the off-quota domestic market. So, as a general rule, I would agree that he should expect higher returns from board marketing. There is involved, of course, a judgment and a gamble about what conditions are going to be like. If the market deteriorates rapidly in the course of a year, then those who sold on the off-quota market for a full price while the market appeared to be high will end up making more. That is very much a critical judgment to make. I do not see any signs of that kind of crumbling of price this year and, therefore, I do not suggest that that is the case. But, obviously, I would hesitate to advise the farmer as to whether he will make more in one fashion or another.

All that we can do—and this is what the Wheat Board has been trying to do—is to give the farmer information about what current selling prices are, and allow him to try to make what judgment he can from that. In a general way, the Wheat Board's current selling prices for export, for barley and for wheat, have been higher, and sometimes significantly higher, than the current off-board prices. That is an invitation to a farmer to hold, and deliver his grain to the Wheat Board. Of course, they avoid storage costs and they have the use of the money earlier if they sell into the off-board markets, so those are other factors.

The Chairman: I am told that the prices change from day to day, but I have the figures for October 25. They show that the export price for utility feed wheat out of Thunder Bay was \$4.61\frac{3}{5}\$. It seems to me that it is from 75 cents to a dollar more through the Canadian Wheat Board than on the open market at the moment. So if nothing happened, if everything stayed exactly the same as it is—and no one knows whether it will or not—the farmer would, in fact, make a larger gain by selling to the Canadian Wheat Board. I do not think the farmers have enough information, even though the Wheat Board is trying to give it to them, to make that assessment. Whenever I am asked—and I do not know whether I have given the right advice or not—I strongly recommend selling the feed wheat to the Canadian Wheat Board because I think they are going to get a lot more money.

Hon. Mr. Lang: Well, I agree on that. While I take the precaution of basing the advice on a three or four-year period rather than for a specific year, I can agree with you.

The Chairman: Thank you very much. Are there other questions?

Senator Greene: I would like to ask the minister whether there is, in fact, any problem in meeting our food aid commitments, particularly in the light of our recent position at home, and at the same time meeting our commitments to our traditional paying customers. If so, how is this dilemma to be resolved?

Hon. Mr. Lang: There is no problem of supply in terms of commitments and, indeed, in those expectations of sales which are so firm that we treat them as though they are orders even before they are placed, and our aid commit-

ments. It is our view that there is an additional supply, not only in existence but that will come forward, to meet some additional commitments. It is not a large amount, by any means, but it will meet some additional commitments. In addition there are some other supplies which at the moment farmers regard as supplies they are willing to deliver. Our problem is knowing whether they will in fact deliver them, and when they will deliver them. When the system is being drawn down to the bottom of the bin, we have no easy way of knowing how farmers will react to the delivery question.

Senator Côté: Does the feed grain that is being sold to the eastern farmers mostly come from the Wheat Board, or from the group off-board to whom the farmers are selling?

Hon. Mr. Lang: From this time onward I expect the answer to be almost totally from the off-board or open market. The period of the year which ended on July 31 hit us in a mid-position policy where the board was still doing some significant selling, and some of that grain may obviously still be moving through the system. I would not know the exact situation but I would imagine it is pretty well all gone. The off-board market is at the present time obtaining what is needed for the domestic market, it would seem to me, at prices somewhat lower than the board would quote, and therefore that is the likely source of supply to the domestic market.

Senator Côté: If the board offered the same price this year as it did last year for those crops, and taking into account the difference between the price paid by the board and off the board, could it be so high that that is why there is such an increase in the East for feed grain?

Hon. Mr. Lang: Well, what is the same, Senator Côté, is the initial price which the board is paying to farmers. It has no relevance to the final return, except that it is based on some calculations or some assumptions about the final return.

For instance, last year the board started with an initial price on wheat of \$2.25 at Thunder Bay. When we made the adjustment payment we added \$1.50 to that price. The initial price is once again \$2.25 at Thunder Bay for the current crop.

Senator Côté: That is just the initial price?

Hon. Mr. Lang: That is just the initial price, yes, and, indeed, the final payment—and the Wheat Board's last estimate on the final payment for last year was 72 cents—is still expected to be made on last year's wheat. So you have the \$2.25 plus the \$1.50 plus the final payment of 72 cents, give or take some cents, as the real total value of that crop. The initial price for barley that the Wheat Board is paying to farmers in the Prairies is very much lower than the price offered to those farmers if they deliver it off-board to the domestic market, but, as Senator Argue has just pointed out, that off-board price may well be lower than what the farmer will eventually get from the board by way of an adjustment in final payments.

Senator Côté: How does it compare to what we pay here—let us say, about \$160 a ton for wheat—and to what the farmer in the West will get for his wheat?

Hon. Mr. Lang: Well, the theoretical relationship is the off-board price in the Prairies plus the cost of moving that grain to Thunder Bay, to markets in the East, plus storage and handling costs, plus margins to cover risk, because the companies moving it are taking positions on the grain, and a figure something in the order of 43 cents or 44 cents a bushel would clearly be involved in those sorts of costs. And assuming some competition,—and there is some in the trade in regard to the market—that should be approximately the difference. In other words, the difference between the price at Trois-Rivières and at Saskatoon should ordinarily be the real difference of getting it from one place to the other and the business risk differences involved.

Senator McNamara: Mr. Chairman, if I might come back to Bill S-6, which originated in the Senate and has been considered and reported by this committee, I feel that, having been previously connected with the board, I rather owe it to my colleagues to give them my reaction to this bill.

First, of all, I want to state that notwithstanding some personal objections to this kind of instruction to the Wheat Board, I fully support the amendment, because of the special features the minister referred to in the dual or two-price final prices in one year.

This legislation is needed because of the commitment that the minister made on behalf of the government to producers that there would not be the two final payments, and urging them to deliver their grain. There is no doubt in my mind that this statement, this commitment, did encourage deliveries and made it possible for the board to have access to that grain to meet sales commitments that they might not otherwise have met. For that reason I support it.

I should like personally to indicate, however, that I do not favour this kind of parliamentary or governmental directive to a marketing board such as the Canadian Wheat Board. My understanding of the Canadian Wheat Board Act—and I was associated with the Wheat Board for quite a while—is that the board has the responsibility of marketing on behalf of the producers the grain delivered to it, and it does this to the best possible advantage. It keeps proper records and then makes a final payment to the producers when the board's operation is completed and the pool has been closed and a final payment can be made.

While I sympathize with producers and their taxation problems—and I have heard suggestions from you, Mr. Chairman, and seen other suggestions in print to the effect that more protection should be provided to producers in respect of taxation-I do not think that is part of marketing and I do not think that the board should be used for that purpose. Therefore, I do not like directives of the kind which indicate to the board that they should, for some special reason, take certain steps which could interfere with their sales operations or the handling of their accounts at some time. I notice that the minister, and it certainly indicates that he does his homework. has qualified the figures in recent years, but there have been years in the past when I was associated with the board when we were able to close out some of these pools in the fall and there was tremendous pressure to get the final payment out to those producers before Christmas. However, I do not think it is likely, in view of the volume being handled, that these conditions could arise again.

Of course, an amendment of this kind that we are proposing to the act could preclude a final payment before the 1st of January, but that is really not serious because the volume of grains being handled now in the various pools, the transportation problems, the board policy of long-term agreements and spreading their sales and deliveries to the customers over the year—all these things make it very difficult to complete the crop year final accounting, calculate all the returns to the producers and get a payment to them very much before Christmas in any year.

Although I think the amendment is necessary in view of the commitments that have been made, I do not think it is going to affect the board's operations because I do not think they could get their final payment out much before, if before, the 1st day of January in any event.

So I just wanted to be on record that I do not like the principle involved when Parliament interferes—not interferes but directs the marketing agencies to do certain things because of taxation or for some other reason. I think the board s operations should be kept clean of those kinds of things and should be engaged only in selling grain in the best interests of the producers and in making returns to the producers in an efficient, business-like way. Nevertheless, I completely support the measure.

The Chairman: Has not the minister the power to do that now? Or, at least, the Governor in Council has the power to make the payments whenever it wants them made.

Senator McNamara: No. As I understand it, they have to approve of the recommendation of the board before they close the pool. I do not think the government has the power to direct the board to make the final payment.

Senator Prowse: Why could you not do it by amendment to the Income Tax Act, whereby you would give the farmer the right to elect or to decide whether he would receive the final payment in the year in which he received the initial payment or when it was actually received? You could give him the right to do either one. It would be like a form of averaging. It would mean that when the farmer got his final payment he would have to file an amended tax form for last year, or it might be two years ago, but it would not interfere in any way with the operations of the board, as Senator McNamara has pointed out.

Hon. Mr. Lang: The main answer to that is that it would be difficult to distinguish considerations arising in that case from those that might arise in many other taxation situations which have nothing to do with the farmer and, therefore, it becomes a total matter of tax policy and the budget.

If I may respond briefly to Senator McNamara's observation, we are proposing here an amendment to the Act, and we cannot help but give some kind of directions to the board in an Act like this; in fact, the Act at the present time effectively directs the board that as soon as they can close the pool, they should, and as soon as they have done that, that they pay out the money, so that they are directed now.

The problem really was that even if they thought it was in the best interests of the producers that they should delay the payments, they could not do so, and we looked at whether we should say "may" rather than "shall" in the wording, and really concluded that it was better to have the certainty rather than have the doubt about it in the minds of the fact finders.

Senator McNamara: I agree with that, and I suggested to Senator Prowse that the can of worms he was opening was bigger than the one I am opening with the Wheat Board.

The Chairman: Any other questions?

Mr. Minister, I have thought of another amendment which I will just refer to, namely, that there might be a limit as to when the payment must be made.

I would say it should be made after January 1 and before March 31, or before April 30, closing out the pool period, for a few reasons: one, it would make it certain in the farmers' mind when the payment would be made; secondly, from my inquiries, and my looking over what has happened, I think the Wheat Board would have no difficulty living with that kind of amendment. There may be only the odd year in which they would have a large amount of old grain that had not yet been sold, and I think, from the farmer's standpoint, he would know he was not only going to get his final payment after January 1, but he would know he was going to get it before seeding, or about that time, so he would have the money available for his seeding operations. Now, there may be arguments against it, but to me it would remove any element of discretion, which from at least one point of view would be an excellent thing, namely, that the farmer would know where he was at, and he would know what was going on.

Hon. Mr. Lang: Well, the objection to that that I would have, really, is that there may be times when the board would find it rather more desirable to have a longer period for the selling of grain, and pricing it, so that they were not making a calculation in their own heads about what the value of the balance of the grain carried in the pool is worth. At the point when they close out the pool, unless they have sold all the grain, every bushel of it, they have to transfer the grain left in the pool to the next pool at some price, and that is a market judgment they are making, and they are really having their left hand sell to their right hand, but on behalf, to some extent, of different farmers; and that is a serious difficulty. I think that in most cases we should see it made between January 1 and March. When, in the past, we have not, it has usually been in circumstances where the payment was going to be very small anyway, because slow sales tend to be the ones where the prices are lower, and indeed, I remember on one occasion, particularly, when the payment was delayed, or the closing of the pool was delayed, into July or August, just for the maximum certainty of pricing the grain, but it was quite apparent to us for some time that the pool was in a deficit position, so there was no question of any payment at all. I think, really, it is better for us to have the general expression of hope that the board may make them in that period without trying to tie them down to it.

The Chairman: I know it has never happened under this administration, but in previous administrations the farmers had a suspicion that when an election was called the final payments would arrive about two weeks before the election date. Whether this was coincidence or otherwise, this was in fact what would happen, and from the farmers' point of view, they are sometimes suspicious, and I think they would be quite happy if they knew where they were at.

Senator McNamara: There is no justification for that.

Senator Prowse: That must have been when you were in the other place!

Senator McNamara: Under the various parties in power, that was never a fact. I strongly deny it.

The Chairman: You remember the newspaper clipping. When the election was on, you fell over the cheques walking into your home. But it was not Mr. Lang's administration that was in office.

Other questions? Other comments?

If I might just mention this to you, we had the Brewing and Malting Barley Research Institute before us some time ago, and you may not be aware of this, but Senate committees usually do not get all the press they are entitled to, though sometimes we get a little. However, there was very little press on that, if any. In any case, we felt—I think that I can say our committee felt—that they made a pretty good case, namely, that they felt there should be a separate pool for malting barley, and that a farmer who produces barley of a malting grade should in fact be compensated by getting the actual value of the grain for which it is sold. I have noticed that you have made some statements on this since, in Winnipeg, and it would appear to me that this is the kind of thing to which some further thought might be given, and perhaps in the interests of the grain business, the producers and the malting trade, this might in fact be done at a future

Hon. Mr. Lang: Well, we are looking at that again. We having reviewed it from time to time over the years, and I think there is a greater consensus in the producer area now in favour of doing that, by making that change; and, as far as I am concerned, as soon as we are satisfied that the consensus is in that direction, we will come forward with a proposal to make the change, always bearing in mind, of course, any advice the Wheat Board has for us about administrative problems.

There is a disadvantage in it, and that is that it does distinguish between two farmers with exactly the same quality of product, sometimes one of whom was lucky enough to be selected by the maltsters to ship the barley

to them, and the other was not, and the present system allows for a better and more just system of pooling. In a year like this year it does not matter at all, probably. Anybody who has anything that germinates is likely to get it off to the maltsters; but there are years when it is a pretty important discrimination that is being made between the persons whose barley is actually selected. It is unlike all the other pooling where simple grade classification of your grain fits you into one or the other. Here, even though you have the same kind, you have the other thing that is needed, namely, the pointing of the finger at you to show that it is your grain that has been selected.

The Chairman: A sample having been selected earlier.

Hon. Mr. Lang: And the choice by the maltsters, from among samples that may be of exactly the same quality.

Senator McNamara: I want to be sure that we have not left the impression with the minister that after our meeting with the maltsters we decided as a committee to favour the separate pooling. My recollection of that meeting is that we were impressed with their representations, but we thought we should consider further evidence, and hear from the wheat people, before coming to any decision.

The Chairman: That is very accurate. If I did leave the other impression I was in error. I did not mean to. I thought the committee was impressed by what they heard, and I agree with you, we agreed we felt it would require some further hearings.

Other questions? If not, are we ready to consider the bill clause by clause?

Hon. Senators: Agreed.

The Chairman: Bill S-6. Clause 1.

Hon. Senators: Carried.
The Chairman: Clause 2.

Hon. Senators: Carried.

The Chairman: Shall the title carry?

Hon. Senators: Carried.

The Chairman: Shall I report the bill without amendment?

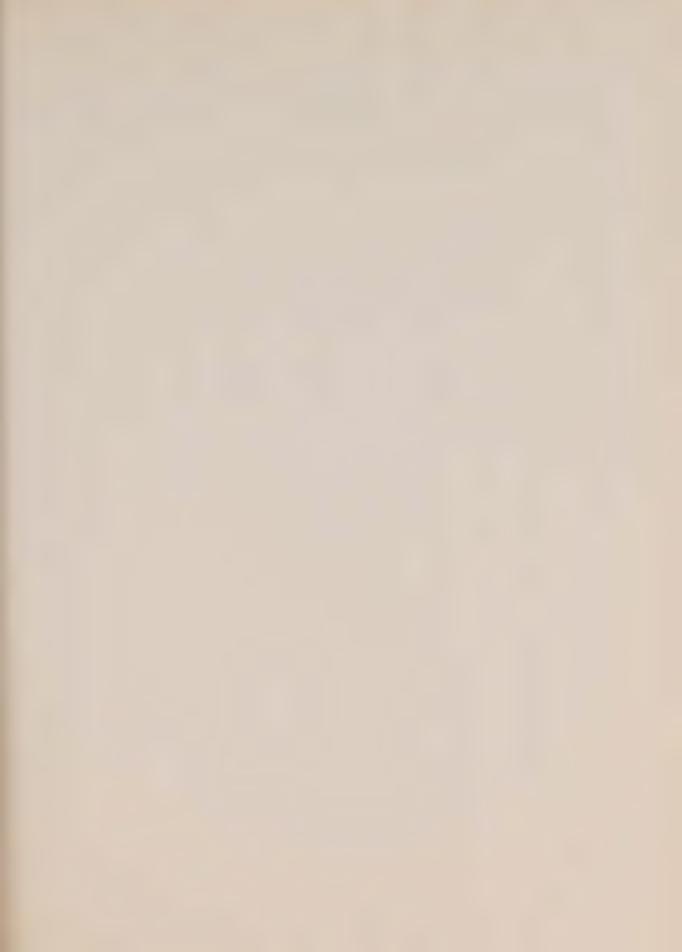
Hon. Senators: Agreed.

The Chairman: Thank you very much, Mr. Minister.

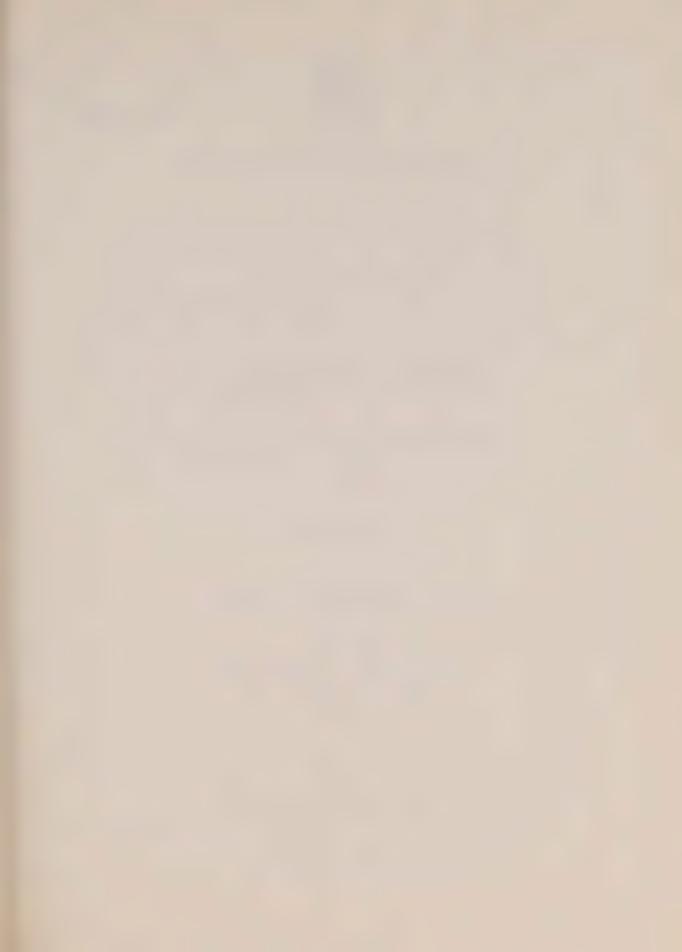
The Committee adjourned.

















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FIRST SESSION—THIRTIETH PARLIAMENT

1974

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 5

THURSDAY, NOVEMBER 14, 1974

Third Proceedings on Bill S-10, intituled: "An Act to amend the Feeds Act"

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman.
The Honourable Hervé J. Michaud,
Deputy Chairman.

The Honourable Senators:

Argue
Benidickson
Blois
Côté
*Flynn
Fournier
Haig
Hays
Inman
Lafond
Laing

McElman
McGrand
McNamara
Michaud
Molgat
Norrie
*Perrault
Sparrow
Welch
Williams
Yuzyk—(20)

(Quorum 5)

^{*}Ex officio member

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 23rd, 1974:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Argue, seconded by the Honourable Senator Heath, for the second reading of the Bill S-10, intituled: "An Act to amend the Feeds Act".

After debate, and-

The question being put on the motion, it was—Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Argue moved, seconded by the Honourable Senator Forsey, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

ROBERT FORTIER

Clerk of the Senate

Minutes of Proceedings

Thursday, November 14, 1974.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 10.00 a.m. to give further consideration to Bill S-10, *intituled*: "An Act to amend the Feeds Act".

Present: The Honourable Senators Argue (Chairman), Blois, Inman, McGrand, Sparrow, McNamara, Molgat, Norrie and Côté. (9)

Present but not of the Committee: The Honourable Senator Greene.

In attendance: Mr. E. R. Hopkins, Law Clerk and Parliamentary Counsel.

The following witnesses were heard:

Mrs. Maryon Brechin, Past President, Consumers' Association of Canada.

Mr. C. L. Stevenson, Chief, Feed and Fertilizer Section, Department of Agriculture.

At 11.30 a.m. the Committee adjourned to the call of the Chairman,

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, November 14, 1974.

The Standing Senate Committee on Agriculture, to which was referred Bill S-10, to amend the Feeds Act, met this day at 10 a.m. to give further consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, I am sure I speak for all of you when I welcome on your behalf Mrs. Maryon Brechin, Past President of the Consumers' Association of Canada. I am sure she will have a valuable submission for this committee. So without further ado I call on Mrs. Brechin.

Mrs. Maryon Brechin, Past President, Consumers' Association of Canada: Thank you, Senator Argue. With me this morning is Mrs. Gail Stewart, the administrator of our association. Would you like me to read the submission, or have you had an opportunity to do so?

The Chairman: I think it would be better if you read it.

Senator Greene: I wonder if the witness could help me—and there might be some as ignorant as I—by telling me what is the Consumers' Association of Canada. How was it conceived? What is it? Who are its members?

Mrs. Brechin: I would be glad to do that. The Consumers' Association of Canada is a voluntary association of consumers. Our aims, as we note in the first part of our brief, are to represent the opinion of consumers, to obtain an overview of what consumers need and want, and to try to present those views to industry and to government. We publish two magazines bi-monthly, the Canadian Consumer and the Consommateur Canadian. We operate on subscription revenues and a grant from the Department of Consumer and Corporate Affairs.

Senator Greene: Do you publish the Consumer Reports?

Mrs. Brechin: No. Consumer Reports are published by the Consumers Union in the United States. We have an agreement with Consumers Union whereby we offer a joint membership. People then receive both the Consumer Reports, which are published monthly, and our Canadian Consumer, which is published bi-monthly. Both of these are testing magazines, in that we do comparative tests of consumer products and report on them in the magazine, as well as reporting on current issues of interest to consumers and on legislation which affects them.

Senator Greene: I am a little concerned with your word "voluntary." You know, you do not operate on free air. How do you finance a voluntary organization which is not a charitable institution?

Mrs. Brechin: I am afraid I did not make that clear. We operate on subscription revenues, or membership revenues, if you will, and on a grant from the Department of Consumer and Corporate Affairs. Our work is entirely voluntary, with the exception of our permanent staff here in Ottawa and three provincial offices, each having one full-time employee.

Senator Greene: Thank you.

Mrs. Brechin: 1. The Consumers' Association of Canada is a voluntary, non-profit organization of consumers with 110,000 members from all parts of Canada. The association has represented consumer interests at local, provincial and national levels for the past twenty-six years. Many of these interests have involved problems with food safety.

- 2. CAC appreciates the opportunity to present comments on the proposed changes in the Feeds Act and to bring to members of this Senate committee some of the concerns of consumers in Canada regarding the possible effects of the addition of minerals, drugs and other ingredients to animal feeds.
- 3. It will be apparent that most of our members are not conversant with the operations of the milling industry or of livestock feeding. Nevertheless, the widespread, easy availability of complicated and powerful new chemicals and the application of new technology to methods of livestock feeding, has raised many questions in the consumer's mind about the adequacy of inspection services, the commitment of the producer to follow often complicated directions to the letter, and to withhold from the market for the prescribed time interval animals under treatment, especially if market prices are rising.
- 4. For the same reasons, from lack of understanding of the possible dangers involved or of normal good production practices, it appears that in the past, grain of poor quality or contaminated by foreign material, seeds, harmful bacteria or toxins, may have been used for animal feeding. While some of these practices may only lead to inefficiencies in production, others may pose a danger of humans who handle, treat or ingest the flesh of animals which have consumed the feeds. Allergic reaction to many of the pharmaceutical products used for treatment of disease in humans are on the increase.

These drugs, antibiotics and other preparations are also used for veterinary purposes and are often administered through feedstuffs. With the implication of DES as a potential carcinogen and the reported contamination of beef and dairy animals with pesticide products, awareness on the part of consumers of the possibly adverse effects to human health, if these powerful chemicals are misused, has been heightened.

- 5. At its 1973 annual meeting, our Ontario association endorsed a resolution requesting "the use for therapeutic purposes of antibiotics in feeds for animals to be used for human consumption, be limited to that prescribed by professionals."
- 6. Although the revisions of the act do not list such "medicating ingredients" we understand that a review is under way and will look forward to the proposed amendments of the regulations.
- 7. Clause 1.(1). While CAC applauds the greater clarity obtained by itemizing many of the ingredients which can constitute a feed, we would urge that the term "medicating ingredients" be included in the listing, since these are allowed under the regulations at "the therapeutic or prophylactic level." It is possible that they could be considered as "any other substance" but since most other allowable classes of ingredients are itemized, it would be of value to have these too specified under the act, rather than simply considered under the regulations.
- 8. The revisions to clause 1, lines 17 to 22, are more precise as to the function of feedstuffs and eliminate the redundancies of the former version. We consider that they represent a clear improvement.
- 9. Clause 1. (2). Fish, meat and rabbits are of growing importance in agriculture. Their specific inclusion in the act is a forward step.
- 10. "Other creatures" may be specified in the regulations as desired. CAC has questioned the fact that pet foods are not covered by the provisions of the Feeds Act or by any other legislation. They represent a very large and rapidly growing market and, being fed to animals which are very closely associated with humans, we feel it essential that standards for manufacture and quality be set for these neglected animal foods.
- 11. In addition there is mounting evidence that in these inflationary times, tinned pet food products are in some cases being used for human consumption.
- 12. We would strongly urge that in the recommendations of this committee consideration be given to the inclusion of cats and dogs in the definition of livestock under the act, so that feeds formulated, manufactured and sold for their use would fall under its protection.
- 13. Clause 3. CAC welcomes the addition of "manufacturing" under clause 3 since it appears to provide the opportunity for inspection of farm-mixed feeds. The increasing number of large commercial "farm" enterprises, many of whom can be considered to manufacture feeds to their own requirements, make it imperative that these be accessible to inspection to determine compliance to the same regulations which apply to commercial mills. Additionally, it appears the intent of the amendments to extend the authority of the Plant Products Division to monitoring adherence, at both farm and mill, to good manufacturing practice and ensuring that effective cleanup procedures are followed.

- 14. We would suggest that the very broad wording of the amendments requires that regulations be clearly drafted to define the limits of this authority and the sampling procedures which will be followed.
- 15. Section 4, which deals with exemption from provisions of the act, appears to us to be somewhat inconsistent. CAC requests that attention be given to clarifying this section.
- 16. Under clause 4(a) the term "incorporated into" is used. Salmonella organisms or aflatoxin cannot technically be said to be incorporated into a feed, yet they may be present in harmful amounts. If the feed is not offered for sale it would appear to be exempt from the provisions despite contamination.
- 17. In order that producers will be better instructed as to substances which "may adversely affect human health or the environment" it is suggested that much more widespread distribution be given to the medicated ingredients brochure now supplied by the Plant Products Division to feed mills, that producers be required to attend seminars on feed manufacture and that consideration be given to developing other means of increasing producer awareness of the requirements of the act.
- 18. Clause 4(b) is confusing also as drafted. It indicates that a feed may be sold by "the individual grower thereof" provided it is free from "prescribed deleterious substances", i.e. dieldrin, aldrin, et cetera. If we refer to the
 definition of "feed" this would appear to exempt all
 mixed feeds based on grains grown on any one farm, an
 apparent contradiction to the aim of the revised act.
- 19. CAC requests that attention be given to further clarifying the phrase "the individual grower thereof." Since vitamins and minerals for instance cannot be considered to be grown, we feel there is a distinct possibility that a producer could, under the revised act, mix any of the listed substances with grains which have been grown on his farm to produce a "feed" as defined and still be considered exempt from the provisions of the act.
- 20. Section 10. CAC applauds the change in section 10 (1) which extends the activities for which charges under the act can be laid to "any provision of this Act or the regulations." However, we submit that the present wording "every person who, or whose employee or agent" should be retained to allow a greater flexibility in enforcement.
- 21. Some recent judgements have held that only the decision-making level of a corporation can be held responsible under criminal law, for actions taken under its name. However, we would suggest that if the original wording is retained, it be followed by a further section to the effect that, "notwithstanding the provisions of section 10 (1), where a person who would otherwise have committeed a contravention is able to prove that the acts or omissions constituting contravention occurred despite the exercise of reasonable care on his part, that person does not commit an offence under this section."
- 22. This would have the effect of protecting the buyer against possible abuse by over-enthusiastic employees, while allowing the corporation, which has exercised due caution, to avoid unwarranted judgments being rendered against it.
- 23. One of our major concerns in considering the implications of amendments of the act is the extent to which the available inspection service will be able to

actually supervise farm based milling or mixing operations. While the administration of the act requires the co-operation of two agencies, the Plant Products Division of Agriculture Canada and the Health Protection Branch of the Department of National Health and Welfare, it appears that the increased load will fall to the Plant Products Division which is now responsible for inspecting feed mills rather than at the pharmaceutical inspection level now covered by the Food and Drugs Act.

24. It is a vital first step to provide comprehensive legislation. Of even greater importance is the task of ensuring that the legislation is both well known to those concerned and adequately enforced. If we fail in either or both, not only is the legislation ineffective but it may become detrimental by creating a false sense of security.

25. CAC wishes to call this to the committee's attention in the hope that it may recommend that an educational programme on the act and its regulations be undertaken for producers who will be affected by its provisions.

26. Of equal importance is a review of existing inspection capabilities. It is suggested that the number of inspections carried out under the Feeds Act is declining. To add several thousand additional locations to an already over-stretched service, could result in diminished protection, rather than the improvements we should expect under revisions to the act.

27. The Consumers' Association of Canada has appreciated the opportunity of expressing our agreement with the aim of the amendments—to introduce additional safeguards to both humans and livestock—of questioning some areas which seem to us to be incomplete or confusing and of presenting to the committee some of the concerns of consumers with matters covered by the act. We hope that our comments may have been of some value in your study of these amendments and that when they are enacted, significant improvement may result.

The Chairman: Thank you very much. This is an excellent brief. However, it is difficult for us to discuss it in depth, having only just received it. We do not expect to pass the bill this morning, so we will have time to give it further study.

Senator Greene: I was somewhat taken by your association's apparent concern with the well-being of corporate officers in cases of corporate offences. Some of us feel that the penalty section should be directed at responsible officers of a corporation. Merely fining the corporation constitutes simply an added item of cost of doing business. It has been proven in the United States that until the vice-president of Westinghouse was jailed some of the anti-trust provisions were not abided by as carefully as they are now that happy precedent has been set. Industry takes the view, as I understand it, that the loss of business which would occur as a result of a conviction is sufficient deterrent. I wonder whether, in light of what I understand to be your concerns with regard to the corporate officers, your association has any general view as to whether or not corporate officers should be held personally responsible, in a penal sense if necessary. On the other hand, do you agree, as I understand you to say, with both industry and government? Do you agree with the view of industry that the penalty section as it now stands is a sufficient

deterrent? Even the large corporations can say they will pay the \$5,000 fine, which they say will form sufficient deterrent because they will lose so much business.

Do you have any views as to whether imprisoning the chief executive officer might be a better deterrent than fining the corporation? Your views seem to tend in the other direction.

Mrs. Brechin: If we given that impression, we have failed, because our intention in suggesting this amendment was not to exempt the officers of a corporation. Rather, the intent is to extend further down the line. It appeared to us that the amendments might make the corporation solely responsible, rather than involving the individual salesman. We have therefore suggested that retaining the present wording may more effectively involve both the officers of the corporation and the employees. However, in cases in which the corporation could prove that they were not at fault, having taken all due precautions, the employee could also be held responsible. Am I not making myself clear?

Senator Greene: Yes. In other words, you feel that there should be personal responsibility in others than the chief executive officer?

Mrs. Brechin: Yes, all the way down the line.

Senator Greene: To include the employee who goes beyond the scope of his authority?

Mrs. Brechin: Yes.

Senator Greene: You say that he should also be personally responsible, rather than it being considered sufficient for the company to pay the fine. I thought maybe the Consumers' Association of Canada suffered from the public service disease of over-timidity.

Mrs. Brechin: We would like to make it even stronger, senator.

Senator Molgat: To pursue the line of questioning of Senator Greene a little further, in referring to the structure of the organization, do you have provincial associations throughout the country?

Mrs. Brechin: Yes, we are organized provincially and locally.

Senator Molgat: Are you represented in every province?

Mrs. Brechin: Yes, in every province, not by provincial associations throughout, but we are represented in every province. In two provinces we have local associations working together only, without the provincial step in between. We are also organized in the Northwest Territories and the Yukon.

Senator Molgat: How does the feedback come up from your membership?

Mrs. Brechin: It comes every day and not just from our membership, but from consumers who are not members. CAC provides information, referral and assistance to all consumers. We do not ask that they necessarily be members of our association. We therefore, by means of letters of complaint and requests for information, receive daily feedback from consumers. We hold local and provincial in addition to national annual meet-

ings. At these meetings resolutions are presented representing the concerns which the various associations themselves in some cases have been working on for months or even years before the resolution is ready for presentation to us. These resolutions, when accepted, become part of the policy of the association.

Senator Molgat: So there is a constant interfeed?

Mrs. Brechin: Yes.

Senator Molgat: It is not a national structure that feeds information down, but the information comes up?

Mrs. Brechin: It is both. Actually, the most important part is the information coming up, because that helps in the information feeding out.

Senator Inman: I am always interested in this business of pet food for human consumption. I wonder if the witness will tell me her thoughts on that. Do you think that does take place; and, if so, why? I have read that human beings are consuming pet food in view of the fact that beef and other food items are so expensive.

Mrs. Brechin: Yes, there are numerous well documented cases now, especially concerning the beef chunks, horse meat and other unmixed canned foods, being used for human consumption. We feel very strongly about this

Senator Greene: Poor husbands!

The Chairman: Maybe no husbands.

Mrs. Brechin: A few of the pet foods are produced in plants which are subject to government inspection. That is the packing houses. This means that there probably is not the possibility of disease in the flesh of animals contained in these products. However, a number of plants are not subject to government inspection. There is no legislation which applies to pet foods, either dry or canned. Almost anything can be contained in those foods provided it is listed on the label as an ingredient. It is very difficult to determine how effective the listed ingredients would be, because they could be inert ingredients and not of value to the animal or to the human.

We therefore feel that it is very important that this market, which is huge, be regulated. It seems to us that since it is animal feed it is logical that it fall under the provisions of the Feeds Act. We recognize that this will mean that the products division will need to co-operate and co-ordinate with still another government agency, because it is sold at the retail level. This would involve working with the Department of Consumer and Corporate Affairs. However, since they already work with the Department of National Health and Welfare, they probably would not find it too difficult to set up this interaction that would be necessary.

Senator Inman: I know that in Nova Scotia and Newfoundland there are processors in the fish business and they sell a lot of the scrap for cat food.

Mrs. Brechin: This is probably an exceleint use of material which we do not allow for human consumption but which still has a great deal of food value. As Canadians, we do throw away, even now, a lot of food that could be utilized.

In the case of dead animals, or animals that are injured and have to be destroyed, they are used to a very great extent in pet foods. It is perfectly good food, which we should not be throwing away.

I am not suggesting that they should not be used, but rather that we set up standards and that we inspect them to ensure that all manufacturers handle only material which is safe both for animals and humans. The one thing that concerns us is that animals are very closely associated with humans, and animal diseases can be transmitted, so that even if humans do not eat pet food, the possibility of transmission of disease which can be carried by that food exists.

Senator Inman: I am interested in this association in Prince Edward Island. I was a member of it and attended their meetings. How are they doing?

Mrs. Brechin: We have two active associations in Prince Edward Island. Within any voluntary association activity waxes and wanes, depending on whether it is a very live issue. We receive quite good reports from the Island, but they vary. It depends on whether they are incensed about something, in which case they have a tendency to report more rapidly.

The Chairman: Are there any other questions? I do not know if this is the correct way of going about it, but we have with us Mr. Stevenson, the chief of the Feed and Fertilizer Section, Plant Products Division, Department of Agriculture. Mr. Stevenson, would you like to make any observations on what has been presented? The committee will have to study those propositions very carefully, and we may have to come up with some recommendations, Have you any comments to make on any of the propositions put forward?

Mr. C. L. Stevenson, Chief, Feed and Fertilizer Section, Plant Products Division, Department of Agriculture: I am interested in what Mrs. Brechin said about the word "incorporated" in the proposed section 4. I think it is a very good point.

The Chairman: Which item is that?

Mr. Stevenson: Mrs. Brechin referred to the word "incorporated" in section 4. It is item 16. If the committee looks back to section 3(3), they will find that possibly some ambiguity exists there. In subsection (3) it says:

No person shall manufacture, sell or import into Canada in contravention of the regulations any feed that may adversely affect animal or human health.

Yet in the exemptions it is only something that would be "incorporated" into it that would be covered by this.

I quite agree that with mycatoxins and salmonella they could be present in products that the grower could have on his farm, which he would be including in manufactured feed for the purpose of feeding his own livestock.

The Chairman: Do you have any further comments?

Senator Molgat: Mr. Chairman, there is one point on which I would like to hear the departmental view. It has to do with items 6 and 7 of the presentation, with particular regard to the terminology "medicating ingredients."

Senator Greene: Mr. Chairman, I wonder if we might clear up this first point, with the help of our law clerk. Apparently the Department of Agriculture agrees with the point raised in the presentation. Does our law clerk feel that the legal point is well taken and that we should have the Department of Justice take another look at this point?

Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel: Yes, I do.

Senator Molgat: I thought we had finished with that point.

The other point that I wish to mention comes under paragraphs 6 and 7 in the brief where it refers to the term "medicating ingredients." The suggestion is that it should be included in the list. What is the department's view on that?

Mr. Stevenson: With relation to the inclusion of "medicating ingredients," we have not put this into the definition of feed.

I realize Mrs. Brechin's and other people's concern on this. The "medicating ingredients" that we have allowed for use in feeds, in cooperation with the Health Protection Branch of the Department of National Health and Welfare, are drugs under the Food and Drugs Act. They do fall under that act. The terminology "medicating ingredients" has been worked out to accommodate their use once they start being put into feed at the mixing level.

To include the words "medicating ingredients" as part of the definition of feed would mean exempting in some way the part that is covered by food and drugs, because they are really all drugs under the Food and Drugs Act.

The Chairman: If they are covered, that is fine, but why cannot they be listed?

Mr. Stevenson: If I understand Mrs. Brechin correctly, she would like it included as part of the feed definition.

Mrs. Brechin: We were suggesting, since you have listed practically every other substance that goes into the feed, that it be listed under the act rather than simply under the regulations. You list it now under the existing regulations. If it were in the act, it seems to us that any changes would then have an additional level of review, rather than if they were merely in the regulations.

Mr. Stevenson: I do not think the review procedure would be any different, because it is really the regulations. So long as you have authority to bring something within the jurisdiction, it is really the regulations that lay down the detail with relation to acceptance or rejection of the ingredient.

Mrs. Brechin: Would the terminology "feed" not apply to a food as defined here when "medicating ingredients" were added to it? Would it then become something different—a medicated food?

Mr. Stevenson: A drug packaged for inclusion in feeds, up to the point where it is ready to be put into the mixed feed, is regarded as a drug by us and under the Food and Drugs Act. When that medicated ingredient or drug is combined with feed you have a medicated feed,

and at that point both the definition of a drug and the definition of a feed cover it. It is covered under both with the Food and Drug Directorate at the present time pieces of legislation. We have a working arrangement and there is no reason to believe this arrangement will not continue—whereby once a drug goes into the feed, the Department of Agriculture takes over the responsibility for inspection and enforcement in that area. Up to that point, it is under the jurisdiction of the Food and Drug Directorate.

5:9

Senator Inman: What drugs are included in feeds, and why?

Mr. Stevenson: There are drugs for coccidiosis control, in the raising of chickens; drugs for the control of blackhead, in the raising of turkeys; and other drugs for use in raising pigs, poultry and horses. There are antibiotics for the control of both secondary and primary infections.

Senator Inman: In other words, they are drugs of a preventive nature?

Mr. Stevenson: Many of them are at the preventive level, with a fewer number at the correction level; that is, for the correction of an existing condition, not the prevention of such condition.

Senator Inman: So, the animals eat it whether it is needed or not?

Mr. Stevenson: Yes, I suppose you could say that. I do not think many people would like to raise broilers without these medications.

The Chairman: I think Mrs. Brechin has a question.

Mrs. Brechin: Customer formula feeds which contain medicated ingredients and medicated feeds prepared in accordance with veterinarian's prescription are not required to be registered under this legislation. Does that exempt them from the provisions of the legislation?

Mr. Stevenson: No, it exempts them from registration only; it does not exempt them from any of the standards set out in respect of feeds under this legislation. There are standards of efficacy and safety set out in the standards section, and these would be subject to the standards section and the labelling section. The only difference in the application of the authority of the act is that one ends up with a registration number and the other does not. However, all of the standards and labelling requirements apply to both.

Senator McGrand: We know that fish can be contaminated by mercury and other forms of metallic poisoning. Is there any evidence of metallic poisoning in the flesh of farm animals as a result of the feeds consumed? Also, we think of allergies as something restricted to the human animal. Do farm animals suffer from allergies?

Mr. Stevenson: I am not aware as to whether farm animals suffer from different allergies or not. As to the intake of mineral elements in feeds, certainly that can happen.

Senator McGrand: It can happen, but does it?

Mr. Sievenson: From ordinary feed ingredients, with the exception of fluorine, I would say the answer is no. Senator McGrand: What is the result of fluorine in the diet of animals?

Mr. Stevenson: It causes the teeth and bone structure of the animal to break down.

Senator McGrand: And you would not refer to that as an allergic reaction?

Mr. Stevenson: No, I do not think that would be an allergy.

Senator McGrand: We are all concerned about allergies in people, but what about allergies in animals? Assuming an animal had an allergy, how would that affect it as a feed animal?

Mrs. Brechin: Mr. Chairman, perhaps Senator McGrand is trying to link our concern with allergies to animals.

Senator McGrand: Yes, you mentioned that in your brief.

Mrs. Brechin: Yes. The concern is that an animal which has been treated with penicillin, for instance, may still have some penicillin residue in the flesh if it is not withheld from the market for the required number of days after such treatment. There is evidence that the ingestion of such residue may lead to a sensitivity in humans, and may be fatal if the human had an allergy to penicillin. That is the reason we brought up the subject of human allergies.

Senator Côté: There would have to be a high concentration of penicillin residue in the animal before it would have such an adverse effect.

Mrs. Brechin: I think not, senator. There have been some studies conducted which indicate that a very minute amount can set off a sensitivity in humans.

Senator Norrie: It seems to me, assuming the medication is not just right, the buyer is protected against any exploitation on the part of the corporation, and the corporation protected against any possible abuse by an over-enthusiastic employee. It says, "...which has exercised due caution, to avoid unwarranted judgments being rendered against it." It seems to me that those are escape hatches for both sides. It could really not be pinned down in a court of law.

Mrs. Brechin: This arose from our study of proposed warranty legislation in some of the provinces where, as you know, there really is no effective redress for a consumer in respect of a product which fails to live up to its warranty. The corporation can escape responsibility by saying that it was the individual agent or salesman who was responsible, and thus the consumer had no redress.

It has been suggested to us that if this type of wording is considered, it would extend the liability of the corporation down through all the steps of the individual salesman. It would not exempt the directors of the corporation, unless they could prove they had taken all due precautions.

Senator Norrie: It seems to me that making everyone responsible from the directors down is a little unwieldy. The corporation, in my view, should take full responsi-

bility in that it should oversee the entire operation, including the sales agents.

Mrs. Brechin: We hope this will have the effect of ensuring that they would be much more careful in their operations. We hope it would do away with the practice of sending a directive out from the head office and then forgetting about it, and would result in proper quality control procedures and control over the claims made by the sales agents.

Senator Norrie: You do not think it is working that way?

Mrs. Brechin: In some public areas it very definitely is not working.

Senator Norrie: Do you think it would work any better the other way?

Mrs. Brechin: I think there is a hope that it might.

Senator Norrie: You've got a hope!

Senator Molgat: I do not know whether the procedure we are following is a proper one, when we are asking a departmental official questions at the same time as the witness.

The Chairman: I think it has some advantages to stay informal.

Senator Molgat: I would like to have the departmental reaction, or some possible information on what they intend to do, with reference to the specific suggestion made in the brief in item 25, with regard to educational programs, seminars getting information out to producers and ensuring that everyone knows what the bill is all about. Has the department any particular programs in mind? What is intended in this direction?

Mr. Stevenson: As we have extended the authority of the act in the past and taken in smaller mills that have engaged in more of the precise mixing which was at one time controlled by the larger mills, we have moved our program down to accommodate these people in order to provide them with information on medicating ingredients. We put out a medicating ingredients brochure, which contains all the drugs, the claims, directions for use and the different combinations in which they can be used. This is given to people at the level the act extends to at the present time. People such as feed lot operators and large farmers who are doing their own mixing, on which we would be taking samplings, would be treated in the same manner as we treat the small feed mills at the present time. This information will go down to them in the same way.

Senator Molgat: Are you planning any regional information seminars or study groups?

Mr. Stevenson: We have these for our own people, but not for the companies. We spend quite a lot of time, from both our district offices and headquarters, in speaking at different regional association meetings of those involved with feed, advising them of the requirements of the act and the information that is available for their use.

Senator Molgat: But you will have brochures available for every level affected by the act?

Mr. Stevenson: This has been our intention.

Senator Molgat: In item 19 there is another recommendation so far as the department is concerned. It is suggested that the term "the individual grower thereof" needs further clarification. As I suggested earlier, perhaps this is not the proper procedure to follow, but the department might like to give some thought to some of these suggestions, because they might have some other effects. I am not insisting on an answer right now, but before we pass the bill I would like to know the reaction.

Mr. Stevenson: If it does not have medicating ingredients it would be exempt, as Mrs. Brechin has pointed out. In other words, if a man took grain, vitamins and minerals, ingredients out of the medicating ingredients, and put them together, he would be exempt from the provisions of the act unless section 4, which Mrs. Brechin has mentioned, was changed. There could be such things as aflatoxins that could be passed on. In relation to that, the mixture of grain, vitamins and minerals would be exempt.

Senator Blois: In my district some farmers are buying machines in which they mix their own oats and barley. Would they be in any way affected by anything we have heard today? These machines are fairly expensive, but the farmers are saving quite a bit of money by using them. I went with one farmer to get his new machine running. He was mixing some barley and oats and then putting in protein, or something else that he was recommended to use by one of the agricultural agents in the area. Is there anything here that would affect him in doing that? Is he liable to be prosecuted?

Mr. Stevenson: He would be subject to the requirements of the act in respect of the inclusion of ingredients such as drugs that may affect a human who would be consuming the food product resulting from the feeding of the feed. If he did not put a medicating ingredient in the feed he would not be covered by the provisions of the amendments.

Senator Blois: I do not think he puts in any medicated things, but on the recommendations of the agricultural representative certain proteins were added. He sells milk in the city of Halifax. I asked the inspector about it, but he did not know anything about this; he said he was checking the milk, and if there was anything wrong with it they would find out very quickly, because it was tested every two or three weeks. If there is anything wrong these machines should not be sold. The cost to the farmer is quite high, but if they can be used it is much cheaper than buying feed from the big companies. The farmer I know raises some oats of his own; he blends his oats off his own farm, and he can, if he wishes, buy from another farm. He had to buy his barley through one of the agencies. It could be quite serious for him if he could get into trouble over this, and I am wondering what to tell him.

Mr. Stevenson: If we had any suspicion that he may be putting something into the feed, or if we wanted to check to see whether he was putting something into the feed, we have authority under this legislation to do so.

Senator Blois: Would the provincial agricultural agent who told him what to put in not know about this? Would he tell him to do things contrary to the act? I am wondering where this farmer can get advice on what he is doing.

Mr. Stevenson: We provide information about the act, the regulations and the types of medicants that can go into feed. I do not know whether this farmer does know or not, but the information is available to enable him to know.

The Chairman: If he is taking the advice of an agricultural expert, I would think he is in a much safer position probably than most farmers who are mixing their feed and who read a pamphlet or hear something from a neighbour.

Senator Greene: Leading from that question, I would like to ask the departmental representative whether they have any concern about one of the points of the brief, namely, that there are not enough inspectors to do the job that needs to be done now.

Mr. Stevenson: Yes, to a degree, in that in the way feed mixing is moving now there is more of it moving down to the farm level and there are getting to be fewer feed mills actually in operation. The smaller ones are getting to be fewer in number. We have more medium sized ones coming along than there were before. You have the disappearance of the big ones at the top, and of the small ones at the bottom which are unable to provide the facilities. We have seen quite an increase in the use of mixed mills at the farm level and really it would be a transfer of a part of our staff to the farm level and the feed lot level from the small mills.

The Chairman: How much staff do you have now?

Mr. Stevenson: We have about 80 inspectors across Canada. We have one office in the Maritimes covering all of the four provinces there, plus the co-operation with the plant protection division. In Quebec we have an office, in Ontario we have an office, in Manitoba an office, and in Saskatchewan an office. Alberta and British Columbia are combined into one district, and we have district offices there. We have sub-district offices operating out of each one of these district offices as well. So we feel that we have inspectors very well spaced across the country. But there may be more work involved here, or extra work, than we are visualizing at the present time. There will have to be some increase in staff, but I do not think it will need to be a phenomenal increase in staff, due to the fact that part of it is going to be a transfer of emphasis.

The Chairman: My impression was that there were very few inspections made in relation to the quantity of feeds that are produced, and in particular mills there would be exceedingly large quantities of feed going on the market between inspections, and that you are in fact short staffed in relationship to doing an adequate job, and that even with the best act and the best regulations but without staff, things will get by which should not get by. If you feel that this is a matter of policy I do not expect that you would necessarily answer that, but if you do feel that you have enough staff now and that the inspections are adequate, then of course that is your opinion.

Mr. Stevenson: When Dr. Jefferson, our director, was speaking the other day, I think he indicated there would be some increase in staff. Let me put it this way: We are not looking for a doubling of the present staff, but there will be an increase.

Senator Molgat: I do not want to get a debate going here between the Consumers' Association and the department, and I am asking for the view of the Consumers' Association here. In item 23 of your brief you express concern about the ability of the present inspection service to supervise "farm based milling or mixing operations." In item 26 you refer once again to the "inspection capabilities," and there you specifically state that the number of inspections is going down. This is your information?

Mrs. Brechin: The recent reports of the division indicate to us that there are not as many inspections reporting as there have been in the past. Our concern was whether the inspection is made on a regular basis, whether it is sufficiently frequent, or whether it is only on complaint.

Senator Molgat: But you have the impression or the information that there are less inspections? You are concerned with the act being extended and that this may make it even more difficult?

Mrs. Brechin: That there will be even more locations to be covered and it may be more difficult to do it adequately.

Senator Molgat: You suggested to us that we should now include further definitions, including pet foods. This would increase the need for inspections and increase the load as you bring in more products, would it not?

Mrs. Brechin: It might. We would hope that it could be arranged through co-operation with existing services. The Department of Consumer and Corporate Affairs inspects at the retail level. It seems to us that it may be possible to involve both the Health of Animals Branch, say at the abattoir level, and Consumer and Corporate Affairs at the retail inspection level, in order to cover pet foods—while their requirements are covered by the Feeds Act.

Senator Molgat: But Consumer and Corporate Affairs do their inspections to ensure that the contents live up to the labelling. They do not inspect for the health of the contents, do they?

Mrs. Brechin: No. It is for fraud, to ensure that they adhere to what is printed on the label. But we have already some plants covered by the Health of Animals Branch and the inspecting establishments, and it seems to us that if these were extended, by co-operation between the departments, we should be able to ensure that there would be an improvement and there would not be too many inspections needed. Again, we may be overly optimistic in hoping for this, but we feel it is a very important product now, which is completely neglected, and we would like to have a recommendation from this committee regarding it.

Senator Molgat: If it were to turn out that it does mean a substantial increase in the number of inspections, this would probably mean an increase in staff, and this again would mean an increase in government costs. Would the Consumers' Association support such a move?

Mrs. Brechin: It seems to us that there is a safety factor involved in the exclusion of pet foods. Since every survey that has been done indicates that consumers put safety at the top of their list, we feel that this is one area that should not be skimped.

Senator Molgat: Even in this kind of inflation, you think they would be prepared to pay the cost?

Mrs. Brechin: Yes.

Senator Molgat: Thank you.

Senator McGrand: I may not be able to get an answer to this question, it may even be an unfair question, but I understand that turkey litter has been and probably is being fed to beef cattle. This is an attempt to recycle protein. I can understand that if a feed company were to buy turkey litter and treat it for parasites in the recycling of the protein it would be safe. But if someone who mixes his own feed were to buy a ton of untreated turkey litter, and mix it with the feed, it could be a source of bringing parasites into the animal he feeds it to. Do you know where I can get the information?

Mr. Stevenson: All of the farm animal wastes at the present time have not been accepted for inclusion in feeds, due to the fact that we do not have information on the possible transfer of disease from litter to healthy animals, nor do we have sufficient information on the level of drugs which may be present in the feces that would be used as a feed ingredient.

Senator McGrand: I was just thinking of parasites.

Mr. Stevenson: There are two factors there. One is the transfer of the disease organism and the other is the drug residue, and we do not have sufficient information on either one to accept them.

Mr. Chambers: I note from your brief that you seem to be satisfied with the changes in lines 17 to 20 in clause 1. Perhaps I was a little slack in not getting the department to propose that that be amended and the old definition stand. Do you have any comment on that?

Mrs. Brechin: It seemed to us that it was much more precise in the proposed amendment. I do not have the original in front of me, but it appeared to say the same thing twice. The revision defines very clearly the two purposes fulfilling the nutritional requirements of the animal and affecting the biological function, which, very concisely, are: either keeping it healthy or bringing it back to health if it happens to require that therapeutic value.

Mr. Chambers: It was a matter of the contradiction in the definition itself that you were concerned with?

Mrs. Brechin: The contradiction, yes, and it seems to us to be much clearer this way. To a consumer it suggests much better what the function is.

Mr. Chambers: Mr. Stevenson, on the matter of inspections, your latest available annual report indicates, if I read figures correctly, that there were 4,438 enforcement actions involving the taking of samples as a result

of inspections. This works out to approximately 35 or 40 per cent of inspections involving enforcement action. To me this seems to be a rather high percentage. Having regard to the number of staff you now have and the number of inspections you make in each plant each year, it strikes me, as I have said, that the percentage of inspectionts resulting in enforcement action is rather high. Can you comment on that?

Mr. Stevenson: Those enforcement actions would not be prosecutions, however.

Mr. Chambers: I quite realize that.

Mr. Stevenson: Indeed, there may have been one or two in 1973, but I do not think so. I cannot remember specifically, but these would relate to detentions, to labelling violations which would have had to be taken up with the company, with the storage of ingredients around the place in such a way that they are not properly handled or properly set apart from each other. When we do our mill inspection these would be things we would pick up, and I would think that all of the enforcement action would be included in those figures that are given there.

Mr. Chambers: If for every ten inspections made under the act now, four enforcement actions must be taken, does that indicate that more inspections should be made? And if more inspections were made, how many more enforcement actions would be necessary under the act? In other words, if visiting each plant once, twice or even three times a year produces an average of three enforcement actions for every ten inspections, what would the ratio be if you were to visit each plant once a month? Are we in fact now letting two or three thousand violations slip through?

Mr. Stevenson: I would have to answer that by saying that when our inspection visits are more frequent there are fewer violations.

Mrs. Brechin: As I understand it, the samples are now taken at the feed mills, commercial establishments where the staff, supposedly, is trained in the requirements under the act. The revisions will extend this to the farm, where it seems to me that farmers, although they are experts in many things, sometimes are not experts in the requirements of the act. I wonder, therefore, if the number of enforcements will not increase simply as a matter of course, supposing you do have an adequate inspection staff under the revision.

Mr. Stevenson: I have to agree with your supposition. In the province of Manitoba we did a survey a year ago just to see what was hapepning at the farm level when drugs were included in feeds. Our analytical report indicates that the farming operations were doing an acceptable job. This is what makes us think that, even though the farmer may not be trained as well as the feed mixer supposedly is, the farmer may nevertheless be taking a little more care because of the fact that it is his own operation and his own livestock which will be affected. The survey did not indicate that there would be the increase that one might have expected at that level.

Senator Greene: Relative to Mr. Chambers' question, do you have any statistics which would indicate the number of enforcement actions per inspection for the years 1971, 1972 and 1973? Do you know if there has been an improvement in the ratio?

Mr. Stevenson: I am afraid I cannot comment on that, Senator Greene, without actually looking at the records, but from the information that I have it would seem that protein violations are remaining at about the same ratio, about 8 to 10 per cent, and drug violations are remaining about the same. With respect to mineral violations, however, mineral guarantees are based on an actual guarantee and the violation occurs, therefore, if there is either too much or too little. This has increased, in the past three or four years, the number of violations with relation to either an overage or a deficiency of mineral ingredients; but in the case of protein and the drugs, there has not been too much change.

The Chairman: Are there any other questions?

Mr. Chambers: If we might just clarify one point, when you are speaking of the information brochures, are you referring to this medicating ingredient type of information brochure, which perhaps some of the senators would like to look at?

Mr. Stevenson: Yes.

Mr. Chambers: This is the only form of information that would be available today to the farmer, if this act was in force, to judge how much he should put in, and the only kind of information he gets on the various kinds of medicating ingredients—is that correct? Is that the only form of information you provide?

Mr. Stevenson: There would be that, plus what we call "trade memos" that are issued, explaining different factors relating to the regulations, and to certain medicating ingredients, or other factors that might influence both the mixing and the sales of these.

Mr. Chambers: Is there any thought at all at the moment in the division with regard to mechanisms to increase the flow of such things as the compendium of medicating ingredients brochures, or these trade memoranda, down to the farm level? Are you going to be circularizing farmers at home, or providing information in local feed stores? Are you preparing brochures so that people can get them on mailing lists, and this kind of thing, or has that not yet been looked into?

Mr. Stevenson: This has not yet been looked into, but if we follow the same pattern as we have in the past—and I think we would—yes, those people in feed manufacturing will all receive the same information.

Mr. Chambers: Have you considered, and have you discussed with, say, people in the information division of your extension branch, and so on, the relevancy and the understandability of the language used in the brochures and memoranda, in relation to the level of people that are now going to be serviced by them? With regard to the farmer who may, as I suggested, go out and buy a new mixing machine when he sets up and who may now start mixing some of these ingredients into his feed, have you discussed the language of these things in relation to those kinds of people?

Mr. Stevenson: When these brochures are drawn up, we do have quite a lot of consultation with the Feed

Manufacturers' Association, and with the Ontario Feed Retailers' Association that operates in Ontario, or with the divisions of the CFMA in the provinces. Ontario is about the only province which has a separate organization. The language that is used in here is discussed with them, and from the feedback that we have on it, the understanding with relation to specific drugs seems to be quite good. Our indexing could be better, apparently. This is the thing that we are faulted for, namely, the present indexing method in this medicating ingredient brochure.

Mr. Chambers: But presently you are not dealing with farmers at the farm level with this kind of information.

Mr. Stevenson: This is right.

Mr. Chambers: My question is related to whether you had yet taken steps to ensure that the language presently being used is suitable with regard to farmers at the farm level.

Mr. Stevenson: No, we have not yet taken steps to determine that it would be. The only conclusion I would come to would be that I am sure the farmers who are carrying on their mixing operations will be just as well equipped to understand this information as the small feed mill is that is operating in the district. I do not think we have any great fear here.

The Chairman: The point, of course, is that the language should be simple, and there will be many farmers in the mixing business who have not been to school for very many years. They may be excellent farmers, they may be top-notch people, they may be worth a great deal of money, but the language still needs to be simple and not too technical, so that they can understand it. I think that is the point.

Mr. Stevenson: I would have to agree that what is in this medicating ingredient brochure is reasonably technical.

The Chairman: You will throw a farmer off in the first paragraph if it is too technical. He will just throw it away, because he is too busy to take a course in technical terms.

Any other questions?

Senator Greene: Is there adequate liaison between the federal department and the ag. reps., through the provincial departments, on the technicalities of the brochure, so that at least they can be assured that the ag. rep., to whom the farmer looks most directly on a day-to-day basis for his technical advice, is well versed in it and can pass on technical information to the farmer that he is capable of digesting. Is there adequate liaison in this regard?

Mr. Stevenson: Yes. The feed-back we get on this, Senator Greene, from both the veterinary profession and the agricultural representatives, is that this is an acceptable document, and there has been no comment from them to the effect that they are not able to understand the language that is used in it.

The Chairman: Mrs. Brechin, do you have any comment?

Mrs. Brechin: Yes. I wondered if I might follow up on the question of the use of the extension service people. The question is, although they themselves understand this document, might it not be possible to produce a digest, perhaps, of it, and utilize the extension service not only to distribute it, but to hold indoctrination seminars, if you will, for the farm feed mixers, so that you would have the opportunity to bring them together to study the document and ask questions?

Mr. Stevenson: Yes. We would certainly be quite willing to co-operate with the extension services in any of the provinces with relation to the holding of such seminars.

The Chairman: You might even make the suggestion that it would be a good idea.

Any other questions? If not, we thank Mrs. Brechin for an excellent presentation. I think we can make use of it.

Mrs. Brechin: Thank you, Mr. Chairman.

The Chairman: Are there any other comments? We are open to comments, but if there are no others I will take a motion for adjournment. We will study this, and have another session to consider recommended amendments. Is there a motion to adjourn?

Senator Norrie: I would like to know, Senator Argue, whether you have compulsory education in the west?

The Chairman: Do we? Yes. We also have it down there.

Senator Norrie: To what age?

The Chairman: Well, I guess it is 15, but that is all right, I know my neighbours very well, and I have some neighbours who have perhaps been to school for one or two years in their lives. They have come to this country from another country. They are of all kinds. I wish I were wrong about that, but I know it is true. They need pamphlets in plain and not too technical language.

Senator Norrie: I stand corrected.

The committee adjourned.









FIRST SESSION—THIRTIETH PARLIAMENT
1974

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 6

TUESDAY, DECEMBER 3, 1974

Study of certain aspects of agricultural problems in Eastern Canada

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman.

The Honourable Hervé J. Michaud,

Deputy Chairman.

The Honourable Senators:

Argue
Benidickson
Blois
Côté
*Flynn
Fournier
Haig
Hays
Inman
Lafond
Laing

McElman
McGrand
McNamara
Michaud
Molgat
Norrie
*Perrault
Sparrow
Welch
Williams
Yuzyk—(20)

(Quorum 5)

^{*}Ex officio member

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate.

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Tuesday, December 3, 1974.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 9.30 a.m. to study, under the terms of reference of its inquiry into Agriculture in Eastern Canada, the problems of small farmers in Nova Scotia.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Lafond, McGrand, McNamara, Michaud, Norrie and Yuzyk. (8)

Present but not of the Committee: The Honourable Senator Fergusson.

Witnesses:

Mr. Ralph E. Moorehouse, Regional Agricultural representative for Western Nova Scotia;

Dr. Brian Nettleton, Truro, Nova Scotia;

Mr. Edward Lorraine, Truro, Nova Scotia;

Mrs. Martha Nettleton, Truro, Nova Scotia;

Mr. Clarence Cox, Sterling Brook, Nova Scotia;

Mr. Garnet Fisher, Shinimicas, Nova Scotia;

Mrs. Carmen Inglis, Tupperville, Nova Scotia;

Mr. Lawrence Brown, Avondale, Nova Scotia.

At 12.20 p.m. the Committee adjourned until 2.00 p.m.

At 2.10 p.m. the Committee resumed.

Present: The Honourable Senators Argue (Chairman), Benidickson, Fournier (Restigouche-Gloucester), Inman, McGrand, McNamara, Michaud, Norrie and Yuzyk. (9)

Present but not of the Committee: The Honourable Senator Fergusson.

Mr. Rod Eailey, Chief, Rural Development Services, Agriculture Canada, was in attendance and replied to questions from the Committee. The witnesses of the morning session were further heard.

At 3.40 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, December 3, 1974.

The Standing Senate Committee on Agriculture met this day at 9:30 a.m. to study certain aspects of agricultural problems in Eastern Canada.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, on behalf of the committee I should like to thank Senator Norrie for having organized such an impressive group to appear before the committee this morning. For the benefit of our witnesses, I will introduce those members of the committee who are present this morning, and they are as follows: Senator Fergusson, the former Speaker of the Senate; Senator McNamara, from the province of Manitoba; Senator Lafond, from the province of Quebec; Senator Michaud, from the province of New Brunswick; and, of course, Senator Norrie, from the province of Nova Scotia.

Because of the weather and the number of committee meetings being held this morning, I do not think we can expect too many other members of the committee to be here, although I hope others do come along. In any event, we do have a quorum and we can proceed with the business before us.

I now ask Senator Norrie to introduce the witnesses appearing before the committee this morning.

Senator Norrie: Mr. Chairman, there were a few hurdles we had to overcome. The problems of the small farmer in Nova Scotia were presented at a meeting of over 300 women in Mount Saint Vincent University about two months ago, and they were very vocal, to say the least. The committee appearing before us this morning, which represents the farming community of Nova Scotia, arose out of that meeting. Our leading woman, Mrs. Joan MacLellan, along with her fellow women, attempted to get together an assortment of representatives of the farming community in Nova Scotia, representing beef, dairy, hog, sheep, poultry, orchard and mixed farming. Mrs. Joan MacLellan, unfortunately, is unable to be here this morning as her son was involved in an accident. Because she is unable to be here, I have asked Dr. Brian Nettleton to present the views of Mrs. Joan MacLellan to the committee, and he has consented to do so. Dr. Nettleton knows the situation of the small farmer in Nova Scotia as, perhaps, no one else does, apart from Mr. Morehouse, the Regional Agricultural Representative for Western Nova Scotia.

With that change of personnel, appearing before the committee this morning are the following: Mr. Ralph E. Morehouse, Regional Agricultural Representative for Western Nova Scotia; Mrs. Carmen Inglis, Tupperville, Nova Scotia, representing the small family orchard farming community; Mrs. Martha Nettleton, Truro, Nova Scotia, representing the sheep farmers in Cape Breton; Mr. Garnet Fisher, Shinimicas, Cumberland County, Nova Scotia, representing hog farmers; Mr. Clarence Cox, Sterling

Brook, Kent County, representing poultry farmers; Mr. Edward Lorraine, Truro, Nova Scotia, representing beef farmers; Dr. Brian Nettleton, Truro, Nova Scotia, representing mixed farming and small farms in general, for Mrs. MacLellan; and Mr. Lawrence Brown, Avondale, Nova Scotia, representing dairy farmers.

The Chairman: Thank you, Senator Norrie. There are a number of witnesses and, hopefully, we will be able to hear from everyone this morning, giving an adequate amount of time for each individual to present his or her views.

Without further ado, we will hear from the witnesses in the order in which they appear on the agenda. I understand the briefs of some of the witnesses are still in the process of being copied, so we may run into difficulties in that respect.

I call on Mr. Morehouse, a regional agricultural representative from Nova Scotia, whose paper is before us.

Mr. Ralph E. Morehouse, Regional Agricultural Representative, Western Nova Scotia: Honourable senators, first of all let me say that I am pleased to be representing the Nova Scotia Department of Agriculture and Marketing at this hearing. I am also pleased to be associated with this group of farmers that has accompanied me from Nova Scotia.

There is always a question as to what is a small farm and a small farmer. The definition I am using for my purposes may not suit everyone, but it is one that I have used here, and it is listed. For the purpose of my remarks a small farm is one having gross saled of less than \$10,000 annually. Farm management people suggest that farms grossing this amount can provide a net income of from \$4,500 to \$5,000. The \$10,000 income level designation for a small farm seems logical if we accept an annual income of \$4,500 as being just above the poverty level for a family of four.

Statistics Canada defines a census farm as an agricultural holding of one acre or more, with sales of agricultural products during the previous 12 months of \$50 or more. Using this definition, there were 12,588 farms in Nova Scotia in 1961, 9,621 in 1966 and 6,008 in 1971. If we accept the suggestion that a small farm has gross sales of under \$10,000, then there were 11,855 such farms in 1961, which would be 95 per cent, 8,710 in 1966, which would be 91 per cent, and 4,800 in 1971 which would be 80 per cent of the farms listed, 6,008.

Small farms are a significant part of our agricultural industry, even though they are rapidly decreasing in number. The rate of decline varies, with the decrease less rapid in the prime agricultural areas. This decline is rapid because of improvements in the economy of the province as a whole. There are better employment opportunities outside agriculture, and where this condition exists it is natural that farmers with low net income will seek out these opportunities. These opportunitie also provide

regularity of income, which is more critical than amount of income. Because of the nature of farming some entreprises provide blocks of income at irregular times, and this is contrary to the needs of people who get in the habit of monthly payments for goods and services. Some entreprises, such as milk and cream, do provide regular income, but the smaller producers find that their units become uneconomic because of increasing input costs.

The small farmer generally needs off-farm employment to supplement his income. In the prime agricultural areas it is estimated that 25 per cent of the small farmers work more than 157 days, which is 50 per cent of their working days, off the farm. In the poorer agricultural areas the number is estimated to be 46 per cent.

As more farmers turn to off-farm employment to supplement their incomes the number of days each spends away from the farm tends to increase. This implies that for these farmers the farm is rapidly becoming only a secondary source of income and they join the ranks of part-time farmers. In 1971 45.6 per cent of all farmers reported off-farm income, and this was 6 per cent lower than the figure for 1966. The highest percentage was 56 per cent, for those farmers reporting incomes of less than \$2,500. In 1970 all census farms reported 167 days of off-farm work, while the highest number was 185 days for those with incomes under \$2,500. These are gross income figures. As income increased the percentage of time spent off the farm decreased.

A recent paper prepared by the Nova Scotia Institute of Agrologists states:

The importance of Agriculture as the backbone and stimulant to the rural areas cannot be over-emphasized. Nova Scotia is the only province that increased its percentage of rural population in the last census. Nova Scotia's 6,000 farmers, with its commercial farm sector in the forefront, provide an economic base for many rural people and provide the reason for the service infrastructure that services the rural area.

In addition, Nova Scotia's farmers are the only sector equipped to provide the amenities to the countryside that Nova Scotians and tourists alike have come to expect. They have the equipment and the economic justification to provide well-cared-for fields and farms with attending benefits to quality of life and feeling of spaciousness in the province.

As this statement indicates, the decline of small farms will mean that supporting services will disappear, and this increases the economic loss to the province. Also, the continued viability of the industry is important when we realize that farmers are the only rural residents equipped to be custodians of the countryside and make Nova Scotia a good place in which to live.

A further statement from the Institute of Agrologists' paper indicates that we must be concerned about our food producing capacity:

This province needs a basic self-reliance on its food supplies in the major necessary food areas. A basic food producing capacity is required to minimize the instability of dependence on fluctuating external forces. There are many strong influences that have combined to continually increase this province's reliance on outside sources for food supplies.

A key tenet of provincial policy must be to retain a significant agricultural sector and to ensure that food production keeps pace with the total economic development of the province. A positive approach would envisage an increase in food production to meet local market requirements and in some instances fill export demand.

I inserted these quotations because I think they explain a situation that is recognized by an organization that is active in Nova Scotia.

If we are to maintain this food producing capacity, then we cannot afford to lose our small farmers or the land they presently control. This means that policies must be developed to keep units viable as long as possible. As economic pressures increase it is difficult for the samll farmer to maintain the production capability needed to provide an adequate income.

The Chairman: Thank you very much, Mr. Morehouse. I have a question, and then we will open the meeting to general questions. Do you notice any desire by an increased number of young people to go farming? Do you notice any tendency of young people wanting to get back to the farm or go farming? We as a committee have been in New Brunswick, in Moncton, and we were suprised, and certainly impressed, by the number of young people who seemed to indicate a desire to farm.

Mr. Morehouse: I think this is true in certain sectors of the industry where it is possible for a young farmer to enter. It is probably not true in such sectors as the poultry industry. Mr. Cox may want to comment on this matter.

Senator McNamara: Can you indicate the trend of farm land values in Nova Scotia? Is the cost of land going up or down or has it remained pretty steady?

Mr. Morehouse: Land values are increasing, particularly in the so-called prime agriculture areas. There is naturally a demand for this land, not only for agriculture but for other purposes, and I guess one of the main ones would be housing.

Senator McNamara: I was wondering whether the cost of land was going up on account of the demand for other activities than farming.

Mr. Morehouse: Yes.

Senator McGrand: What part of Nova Scotia are you referring to when you mention the quality of the land, what particular areas?

Mr. Morehouse: There are three prime agricultural areas, so-called, defined by the Department of Development in Nova Scotia: Annapolis Valley, the Colchester area, East Hants and Halifax, and the North Shore. This takes in the north part of Cumberland, Colchester County and Pictou.

Senator McGrand: What about the other parts of Nova Scotia? What about Cumberland County, Antigonish and parts of Cape Breton?

Mr. Morehouse: Cumberland, of course, as part of the north shore area, we view as a prime agriculture area; it has a good land resource for agriculture. Certainly there are areas in other parts of the province that have this good land resource, but in a small acreage. For instance, there are areas of Cape Breton that are fairly productive.

Senator Michaud: At the end of your brief you say:

... we cannot afford to lose our small farmers or the land they presently control.

Agriculture

Is any of that farm land for so-called small farms not being used and going to waste, going to bushes?

Mr. Morehouse: Yes. There has been a fair amount of this and in some areas, in some counties, there has been up to a 50 per cent decline over the last thirty year-period.

The Chairman: And it is still going on; acreage is still being abandoned as far as agriculture is concerned?

Mr. Morehouse: Yes.

Senator Fergusson: I would like to refer to the last paragraph of your brief, just after what Senator Michaud quoted. You say, "This means that policies must be developed to keep units viable as long as possible." What, if any, policies have been tried already to keep these units viable?

Mr. Morehouse: Of course, the Department of Agriculture and Marketing has certain policies and these have certain requirements which I guess are above the level of what I would call the small farmer. Most of our policies depend upon a gross income of \$10,000 or 51 per cent of the income coming from the production of agricultural products. So if we are in the small farmer category, then the number of policies which we have which do apply is fairly low. One policy does cover gross income up to \$5,000 and this is in our land improvement policy. It is one section of this policy.

Senator McGrand: This debate in this fashion has gone on for years and years about the small farmer and it is going to go on for years and years—while they last, anyway. If you were given the responsibility of maintaining the rural communities by re-assessing and introducing a policy that would maintain the small farmer, what would you do, what steps you take?

Mr. Morehouse: Perhaps one of the first steps is education, at least providing the opportunities for farmers to receive the knowledge they need to have a viable unit. This is education in the broad terms of just knowing how to farm generally; and where they need additional information, that we provide this to them.

Senator McGrand: This sort of thing must be going on now. You have had the Department of Agriculture in Nova Scotia for a long time, and there is the federal department also. This has been discussed time and time again. What are you doing now to do that? You have the mechanism now.

Mr. Morehouse: Yes, this is true. We have a whole gamut of programs that are available to all farmers. There is the matter of motivation, which is a problem. Basically, it is an inadequate income. This goes back to subsidies; and whether they are called farmer subsidies or consumer subsidies I am not sure, but the price that the farmer receives for his product is the critical area, in my opinion.

Senator McGrand: Go on from there. You cannot stop there. How would you get this to work; how would you put this into operation? This is the big problem we are talking about repeatedly. You have that tendency for men to leave the land. As Senator Argue said when he was in Kent County he found a desire on the part of people to go back to the land. I cannot find it and I have checked practically every parish in the province of new Brunswick and I find they are not going back to the land. They just cannot make as much money.

Mr. Morehouse: This is true, and I think I pointed this out in my brief.

Senator McGrand: The hours that most people work in the day are becoming less and less, and the number of days in the work week is getting less; but the farmer's job is seven days a week. I would like to know the steps that you would recommend to overcome this, as a continuing operation.

Senator Norrie: Mr. Chairman, it seems to me that we are coming to the final question before we hear the briefs.

The Chairman: I do not know how you want to handle it. I thought we would have at least a brief question period for each person who comes before us. If you want to hear all the briefs first, we can do so.

Senator McGrand: I do not care when this is discussed, as long as we get the answers.

Senator Norrie: I agree with Senator McGrand, that this should be discussed, but it seems to me that we should hear the briefs first.

The Chairman: Hear them all? Do you think that makes more sense?

Senator Norrie: I think so.

The Chairman: Is that agreed? Very well, we will hear the briefs first. Thank you very much, Mr. Morehouse.

Mr. Morehouse: Thank you.

The Chairman: The next person we will hear is Dr. Brian Nettleton.

Dr. Brian Nettleton, Truro, Nova Scotia: Honourable senators, I feel honoured to be here. In observing the principles of equality between the sexes, I am standing in for Mrs. Joan MacLellan, who is not able to be here with us today. I have before me a copy of her brief, which I will read. First of all, she quotes two headlines and says:

"Farmers are in the worst squeeze ever." "Farm life is not attracting enough people to keep industry alive."

The above quotations are two of the numerous headlines from the Halifax *Chronicle Herald* relating to agriculture and farm life in Nova Scotia today. From all over the province came back the answers: "We are well aware of these facts."

For many, many, years the backbone of agriculture in Nova Scotia was the mixed farm. These families were the pioneer families of Canada, and worked on the land engaged in mixed farming, this being a safeguard against a year of relatively poor prices in any one crop. They developed virgin land using, logging, milk production, beef, poultry, and in late years grain crops and farm vacations to cushion the impact of ever increasing costs.

Agricultural statistics show, in the last 10 years, that operation and depreciation charges have doubled, feed costs have almost trebled, the total farm unit has enlarged year after year to stay ahead of ever rising production costs. No longer can one product offset the loss of another; the profit margin is too narrow.

The farm family has compensated for this by contributing many hours of free labour, but our young people will no longer accept this. Education, better

transportation, and high wages in town, have ended the possibility of adequate farm labour, and of sons' interest in taking over from their fathers in all but a few cases.

For the past 25 years I have been a part of one of those farm families, living in a beautiful small community along the Cobequid Bay. Ninety per cent of the families farmed mixed farms, shipping to our own creamery. The community spirit was an alive thing, the moral fibre of this community was echoed across Nova Scotia in thousands of other similar communities. Our own farm has been in our family for 175 years; our son is the sixth generation, who happens to be a farmer at heart, but hesitates to commit himself to farming after seeing the family work hard together for all his years of growing up, but advancing little. He sees a good farm, high producing land, adequate buildings, chores 365 days a year, increasing costs of machines, feed taxes, and less cash net returns.

Twenty-five years ago our community had 15 active farms. We now have only four and one of these is up for sale. Forty-one per cent of the country farmers work in town and only farm part-time.

The municipal planning board in discussions with qualified planners were told not to worry about the loss of agricultural land to developers—they would see we are fed! With what? With Roumanian tomatoes, New Zealand lamb, American beef, et cetera?

As a child I was taught about Canada and listened in wonder to the facts about the Bread Basket of the world. I became a part of this very fine country, but I listen with horror to these academics who plan and set policies and who place such small importance on our primary food industry. In turn we as farmers are becoming more and more tired of supplying these people with cheap food.

Farm families are usually moderate people, but we also have a right to fair returns for quality produce. We still believe in the old adage, "An honest day's pay for an honest day's work." I suggest the government should be looking seriously at the help given to agriculture. We see almost unlimited grants, loans and tax incentives given to industry which many times do not live up to expectations. But the farmer is penalized more and more as increasing numbers of urban dwellers move to the rural areas, thus inflating school numbers and property taxes, and pushing up the land tax. Even the Graham Commission appears to do nothing to alleviate the pressure on farms with its recommended \$2 per \$100 of assessment. As a result, our farm tax will double.

The mixed family farm can be the most economical unit if given adequate prices for products produced, but for too long the medium-sized farmer has accepted returns per dollar invested which industry would not tolerate

Continue to lose these farmers and this agricultural land and you lose the wherewithal to feed this country; try then to explain to the people of Canada why they have to go to bed hungry!

This brief was submitted by Joan M. McLellan, Mr. Chairman.

The Chairman: The next brief will be presented by Mr. Clarence Cox.

Mr. Clarence E. Cox, Egg Producer, Sterling Brook, Nova Scotia: Honourable senators, fellow Nova Scotian farmers, first of all I should like to say that I am happy to be present here with you today. I must say also a special thanks to Senator Norrie who was the instigator in organizing this committee meeting. I feel that it not only gives us the opportunity to express our views relating to agricultural problems in Nova Scotia but gives us the opportunity as well to familiarize ourselves with the environment in which you work here.

The following are some of my personal observations relative to the poultry industry in Nova Scotia. First, I would like to advise you that my brother and I have been actively engaged in agriculture for the past 25 years in what might be classed as a family farm unit, with the majority of net income derived from our poultry operation made up of egg production, started pullets and chick hatchery.

Over the years, I can honestly say that farming has been good to me in spite of all the ups and downs. Challenges have been many and great. My decisions have not always been correct, but I was always satisfied if I made the right decision 51 per cent of the time instead of 49 per cent. However, I always aimed at a better batting average than that and, hopefully, I did achieve it.

Whether we like it or not, I consider that we must accept that farming is no longer a way of life, but a business in itself. With a gross income of \$100 million from agriculture in Nova Scotia in 1973, one must not overlook the importance of its being our basic industry. The poultry industry in itself has undergone drastic changes during the decade. The trend has rapidly changed from the small barnyard flock to larger commercial operations ranging in flock size from 5,000 to 75,000 laying hens. In fact, one operation in our province has over 200,000 layers.

Of late, properly organized marketing and the growing pains involved in the establishment of orderly marketing of our egg production have caused concern to the producer, processor and consumer. However, I am convinced that egg producers are entitled to a stabilized market which I feel can and will be achieved through properly managed bodies which, hopefully, will learn from past mistakes.

I consider that success in the poultry industry, as in any other industry, is mainly dependent on management. Efficiency is the key word, but we can never expect to attain 100 per cent efficiency, although we must make every effort to be as efficient as possible. In poultry it is the many little things that are done or not done that can spell success or failure. The returns one receives are directly dependent on the time and effort spent in the day-to-day chores of the operation. To be successful, the poultry farmer must make use of the latest agricultural technology. If not, he is better advised to get out of the business.

For us to remain a viable industry, it is essential to have government assistance. I am referring particularly to the Feed Freight Assistance Policy, as well as to other financial government incentives. Without these, I am confident that we would not be able to compete with other industries, and that there would be an even greater decrease in farm population.

Honourable senators, I would be pleased to answer any questions relating to the poultry industry in our province.

The Chairman: Thank you very much, Mr. Cox. We will now hear from Mr. Lawrence Brown.

Mr. Lawrence Brown, Avondale, Nova Scotia: Honourable senators, fellow farmers, ladies and gentlemen, I have been invited to appear before you in connection with agricultural problems in eastern Canada. In as brief a manner as possible I will try to give you an outline of my operation as a dairy farmer.

Our farm consists of 300 acres home property, 60 acres of ARDA property and 34 acres of rented land. I have farmed on my own since March 1962. We obtained our first credit from the Farm Credit Corporation in May, 1962, in the amount of \$52,500. These funds were obtained for the prupose of purchasing farm from estate, building loose housing barns and a milking parlour and purchasing dairy cows.

In September, 1973, we borrowed another \$27,800 to further expand our operation. Our total investment in the farm enterprise is: land, \$60,000; buildings, \$51,450; machinery, \$42,000 and livestock, \$63,000. Despite this, our dairy operation only generated a net profit of \$1,938.70 for the year ended December 31, 1973. It seems to me that if drastic action is not taken either by major increases in the price of fluid milk at the consumer level or substantial subsidies at the government level the dairy industry will soon no longer exist as we know it in the maritime provinces.

I would like to suggest a proposal to introduce some stability to the industry: If the federal government would increase the federal subsidy on manufacturing milk to the level of fluid prices in each of the individual provinces, it would help to keep the price of fluid milk at a level which the low-income people could afford. And if this policy created surpluses of manufactured products, Canada could then help more towards feeding the starving nations of the world.

Thank you for inviting me to appear before you. If there are any questions I will be only too pleased to try to answer them.

Senator Norrie: Did you bring those headlines from the Halifax *Chronicle Herald* of yesterday?

Mr. Brown: Yes.

Senator Norrie: Pass it along, please.

The Chairman: I now call on Mrs. Inglis, who has a paper dealing with the fruit-growing industry.

Mrs. Carmen Inglis, Tupperville, Nova Scotia: Honourable senators, I must say that it is a pleasure to be here this morning.

The fear of a world-wide food shortage makes us more aware of the decreasing number of farms and farmers in Canada today, and we wonder why this has to be.

As the wife of a farmer on a farm which has been in the family over one hundred years—and there are many such farms in Canada which form a part of our heritage—I would like to tell you about our way of life.

Our living is derived solely from this farm. We grow, as our main crop, apples, pears, plums, cherries and a few strawberries and raspberries. Before continuing, there is something I would like to make quite clear. In order to survive, one must live within one's means, be willing to work hard, for long hours, with no vacations with pay. Probably the longest vacation at most times would be two days, if one is lucky enough to have a son or daughter at home at the time to take over and look after things. As well

as the fruit, we have a few hens, two pigs and some young cattle. I guess you can say we are in mixed farming. I did not make this clear, but I may say we have not gone into debt except when we bought our farm, which was over 30 years ago. This, moreover, was done in hard times.

To explain the life on such a farm as ours, I would like to go back to the spring of 1974. In 1973, in regard to the apple industry, I would say the prices for our apples were the highest they had been for many years, and so with hopes of continuing high prices we started our spring's work. First came the pruning of the trees, picking up the brush and burning it, et cetera. Next we ordered the fertilizer and spray, only to learn that prices had gone up-and I will just quote you one price, that of nicotine, which went from \$12 or \$15 to \$68, which was a considerable increase from the previous year. Nicotine, of course, is needed to control the aphids in our orchards. We had a rebate on our fertilizer of 25 per cent. Sprays were applied, and with regard to this, of course, one has to know the kind to use and how much. There is also the danger of poisoning if some sprays are handled carelessly. With a moderate apple bloom and a very good plum, along came a heavy frost in the late spring and destroyed all the plum blooms. This resulted in no plums in the valley this year. Strawberries, raspberries and cherries are sprayed as well.

Next is was time to pick the stawberries, and help with the picking was almost impossible to obtain. Few of the children seemed to want to pick stawberries to earn an extra penny; so after a heavy rain on a Saturday, when we might otherwise have obtained some help, the stawberries had to be picked on a Sunday. Since we had company, who offered to cook the meals for the day, my dauther and myself spent the day picking strawberries. At the end of the day we decided that if conditions remained as they were, in a few years no one would pick, and stawberries would be like gold nuggets to obtain.

The frost that had damaged the plum bloom had also damaged the cherry set, thus resulting in less than one-half of a crop. So the birds struck early and we had to pick them a little under-ripe to salvage any at all.

The raspberries set well and there was a good crop; but did you ever try to pick raspberries at the minimum wage? On a small farm, however, one seldom thinks of this.

Harvesting of the apples began, and more than half were picked, when along came the big, unexpected, October snow storm which froze the Spys, Delicious, Wagners, et cetera, on the trees, so they were only fit for juice, a condition which certainly cut down the price by about half.

The heavy snow and ice did extreme damage to both young and old trees. Trees take many years to grow before they produce to any extent, and how does one replace a grown producing tree? It takes years. We also found out that the price of our Spy apples, that had been so good in 1973, had been cut to quite an extent, and not only that but our fertilizer and spray had gone up. To harvest the apple crop we did have some part-time help from men who had other jobs but worked with us after their working hours; and, incidentally, this was the only help we hired during the year, except for our daughter, who stayed home with us for the summer to help pick the strawberries, raspberries, et cetera, and to tend customers at our road-side fruit stand.

We heard that some aid may be coming due to the storm damage, but our Minister of Agriculture did not sound too hopeful. We did not have crop insurance, for a few years ago we had looked into it for our fruit trees and had been advised it would not be feasible. We hear of other areas receiving compensation for storm damage, but for us it seems difficult to obtain. You really have to follow it up, and this takes up so much of a farmer's valuable time. We experienced this several years ago when an aerial spray destroyed some of our crops. So the harvest is over, with half of our apple crop sold at only the much reduced price that is obtainable for juice apples.

So it is to the woods to cut logs, for my husband to earn the extra money needed to live and continue farming operations next year. This means very often that he takes his tractor and power saw into the bush alone and cuts the timber. Experienced woodsmen are hard to find, and with wages what they are, one can hardly afford this help. The prices for our products have just not risen with the rising costs, which are very high, of practically all we buy.

Perhaps I should not mention them alone, but we cannot help thinking of the fishermen on unemployment insurance, and indeed of all those drawing unemployment insurance. We cannot help thinking also of the welfare cases, all ready to be paid and helped by us who need help so badly. Let me emphasize also that we do not strike. Before I left I had a phone call from someone who asked me to stress that farmers do not usually go on welfare, in spite of the welfare benefits that are available to so many today.

Back in the thirties, during the hard times, farmers tried many different things. Many even raised grain, for in those days help was readily available at a wage that was suitable to the farmer's needs.

Much more food could be produced on these farms if help were readily available now, and if the price compared adequately with the rising costs of everything else. We wonder why this has to be.

We hear people say, "Look at all that unused land!" but how much more can a farmer do by himself for a low wage? Where do you find someone who will plough a field, fence, pick up stones, spread manure and sow fertilizer? We can no longer find men who will do these jobs. As the old cynic put it, "No one wants to work up a sweat any more."

Farming to us is a way of life, not just a means of earning a living. I am thankful we were able to bring up our children in this environment. The quality of this rural life must be preserved. Many of our small family farms have already been lost. Must we lose more of this wonderful heritage and way of life? Some incentive must be given to maintain these farms, for they can produce much food to feed a starving world, if needed. Farmers must also receive guaranteed prices for their products, in line with those produced in other industries.

Senator McGrand: I have a question Mr. Chairman, and let me say it seems to me that the time to ask witnesses questions is when they are on the stand.

Senator Norrie: I stand corrected.

Senator McGrand: What county do you come from, Mrs. Inglis?

Mrs. Inglis: Annapolis County.

Senator McGrand: You have told us a very sad story, and every word that you have told us is true. However, you

have many complaints here, but do you have as many solutions?

Mrs. Inglis: No.

Senator Norrie: What are they here for?

The Chairman: Well, I think there are some suggestions. I draw your attention to the last page.

Senator McGrand: It is going to take a long time to ask all the questions that may be forthcoming. Perhaps that was the reason why you suggested we wait until they were all finished. However, we have all day.

The Chairman: May I just ask a question? You say, "We heard that some aid may be coming due to the storm damage, but our Minister of Agriculture did not sound too hopeful." Is that the federal minister or the provincial minister?

Mrs. Inglis: That was the provincial minister. It appeared in the papers.

The Chairman: Any other questions? If not, Thank you very much, Mrs. Inglis.

I believe Mrs. Nettleton's brief is ready for the committee.

Mrs. Martha Nettleton, Truro, Nova Sctoia: Honourable senators, as you all have a copy of my brief. I will skip the first paragraph and go straight into my definition of a small farmer.

Before discussing his or her problems I must define my interpretation of "small farmer". Such a term, I feel, should include those operating farms by means of labour provided by the immediate family—what one might call "the family farm". I would also include those whose farm operation makes a partial contribution to the family income.

Nova Scotia is an area of traditional small family farms. Residents of the rural areas largely fall into one of two categories—the remnants of the rural farm population and intermittent dwellers in the rural areas. In many cases the land is owned by families now in the cities but who are now showing an increasing interest in returning to make a contribution to the farm economy,—and by newcomers to rural life, some from outside the province and even immigrants to the country.

The topography of the farm land in many instances is not suited to large-scale farming. In certain areas amalgamation of small holdings would make larger and more efficient units, but often due to unco-operative absentee landlors, to competition for land at recreational values or to restrictive municipal bylaws, such a course is not possible.

Nova Scotia's urban populations are largely dependent on out-of-province imports for food requirements. There is under-production in beef, milk and lamb, which are grass based, and pork, eggs and vegetables which are grain

Of the five livestock commodities, three can be developed with the minimum use of feed grains while two are almost completely dependent on cheap imported feed grains. Considering, then, the under-supply of these commodities and the large acreages of cleared land that is idle, under-productive or rapidly reverting to bush, it would be beneficial to the provincial economy if those who wish to

farm could be encouraged in lines of production utilizing such lands in processing grass to milk or meat.

Listing our grass-based livestock in order of significance, as dictated by markets available and by dependence on feed grains, the three must be listed as: sheep; beef cattle, breeding stock and feeders; and dairy replacements. Can sheep, beef and dairy replacement rearing make a contribution to the life values of those involved and the production patterns of larger scale commercial farmers? To illustrate my reasoning here I would suggest that under certain conditions the small farmer may raise replacement heifers more efficiently than the large dairy farmer and so make a contribution to the efficiency of the latter. Similarly, with guidance in terms of breeds and management, the owner of a small beef herd could make a contribution to the efficiency of the large-scale operator in the provision of well reared feeders or breeder replacements.

Bearing in mind that the category "small farmer" includes an immeasurable host of individuals likely to be hostile to thoughts of regimentation, one must ask how best to recruit their efforts into a pattern contributing to the province's economy and to the efficiency of their own and other farms. I would consider that the most important single factor to produce these results is truthful market information in a form comprehensible to the farmer.

Secondly, there should be reassessment of research projects so that these have a closer bearing on current problems. Concurrently, there must be more efficient educational and demonstrational projects to disseminate the problems of the sheep producer in Nova Scotia.

In summary, it might be stated that most of the problems of the sheep farmer in Nova Scotia are those related to under-production, both at the individual and provincial level.

Presuming that there is a large unexploited market for lamb and that lamb can be produced in Nova Scotia to leave a satisfactory profit margin, then policies should be aimed at increasing and improving the provincial ewe flock. Conversely, any policy, subsidy or grant directed at increasing the returns for market lambs must of necessity detract from the significance of breeding stock production. Further, at the present time and in the foreseeable future there is a ready market at satisfactory prices for any wether lambs which may be produced as by-products of breeding stock population.

In fact, sheep farming in Nova Scotia would appear at the present time to show a satisfactory return for the invested dollar, and there is no reason to feel that this will not continue. If this is so, then it is difficult to justify direct financial support of a profitable segment of agriculture. In fact, grants or subsidies foolishly applied could be disruptive and detrimental to the industry. There are, however, certain essential services required by the industry which, because of the relatively small size of the units involved, cannot be satisfactorily financed directly by the industry. The first of these is, in my opinion, of prime importance for it has a bearing on the farmer, large or small, achieving the maximum for his stock. In a less spectacular fashion but of perhaps more importance there is an educational aspect. I refer to the need for capital assistance in the improving of stock handling facilities at weekly auction sales. The significance of such sales is often overlooked in the glare of grandiose schemes for marketing boards, but in the case of the sheep farmer, where because of the prospects of long-term under-production there can be little call for such boards, the basic rules

of supply and demand and the resultant prices paid for different types of stock should be all that is required to steer the sheep farmer into the most profitable lines of production.

Before the question is asked, may I say that in Nova Scotia I would not expect to see many people making their entire living from sheep. I would look upon sheep as supplementary to other forms of agriculture or other occupations. Sheep could well be looked upon as a crop, with a given farmer taking advantage of availability, crops and potential markets and moving in and out of sheep as these conditions dictate.

Finally, if there is to be an expansion in the sheep industry, as there must surely be, then there must be a parallel expansion in technical knowledge of sheep management. An expansion of the first without the second is perhaps the greatest threat to Canadian sheep farming.

The Chairman: Are there any questions at this point?

Senator Norrie: Would you like to explain how much you have been paying for the isolation factor in your sheep imports?

Mrs. Nettleton: This is rather a personal problem. In my opinion, breeding stock is important to increasing efficiency, so we have imported sheep from Britain, and we were appalled to find that the cost is \$120 per sheep for a four-week quarantine period compared with \$270 for cattle. It is not something I wish to labour; it is a small thing.

Senator McGrand: What part of Nova Scotia are you talking about? This is a sheep-producing area. Is it Cape Breton?

Mrs. Nettleton: For the last 18 months I have had a farm of 250 acres in Cape Breton, but until that time I was running a sheep farm in the Truro area.

Senator McGrand: You mentioned the acres of cleared land now out of production and you suggested that this could be brought into production. What are the steps that you would recommend to do this? The other thing is that you said that grants and subsidies foolishly applied could be injurious. What grants and subsidies foolishly applied do you have in mind?

Mrs. Nettleton: At the present time related to sheep?

Senator McGrand: Yes.

Mrs. Nettleton: I think any subsidy given to the slaughter of sheep, when we are at such a low level, would be detrimental to the industry, because I think it would be rather like encouraging all the dairy people to butcher their animals for beef. I think we are inclined to think of sheep simply as sheep instead of as meat-producing sheep and, as in Europe, milk-producing sheep. There are many breeds of sheep, but people tend to speak only of "sheep". When assistance is given to killing plants the trend is to swing to a meat-producing breed, which does not stand up to the conditions in Nova Scotia. We must have something that will live under our conditions.

Senator McGrand: Such as Cheviots.

Mrs. Nettleton: Yes, the Cheviots. A case in point is that of the assistance in Cape Breton by Devco to the sheep industry, but it is not a big, fancy, scheme. They take into account the fact that people are important and they are all small units. I doubt if there are many units that would

come up to 200, but there are many retired, active school-teachers and retired farmers who use the land they have instead of sitting back and allowing it to go to waste. In my opinion that project is a good thing and it is certainly having an impact.

Senator McGrand: You mean through leasing land and so forth in order to get more sheep on it.

Mrs. Nettleton: It would be very nice to think that we could lease land, but at the moment they are just making use of what they have. They are encouraged to do so rather than being brainwashed into thinking they must do it as it is done elsewhere in Canada or anywhere else rather than making use of what we now have in Nova Scotia.

The Chairman: The last witness will be Mr. Garnet Fisher.

Mr. Garnet Fisher, Shinimicas, Nova Scotia: I am sorry, Mr. Chairman; I will have to wait for my notes.

The Chairman: Mr. Len Christie, one of our research officers, is back with us this morning. I am certainly glad to see him looking so well.

We will now open the meeting for general discussion. Members might ask questions of any of the witnesses, or general questions and invite any one here to respond on any particular aspect.

Senator McGrand: We have just completed a discussion in connection with sheep. This brings to mind the fact that the synthetic fibres produced from petroleum replaced natural fibre in recent years, prompting the feeling that the natural fibres would go out of existence for use in textiles because of the efficiency of the petroleum product. It now seems as though petroleum will disappear and we will be returning to natural fibre, both animal and vegetable. When speaking of sheep, we naturally think of wool. Will someone please discuss the prospects for more animal fibre, especially wool.

Mrs. Nettleton: I believe our situation is true generally of Nova Scotia, in which the return from wool is approximately \$3 and the return from a lamb is \$30. After paying the cost of shearing, wool is insignificant for us.

Senator McGrand: In Wales, parts of the Highlands of Scotland and especially in the Hebrides the black-faced sheep, which are not considered to be meat animals, are raised entirely for fibre. That is the source of the famous Harris tweed. Do you not believe that the wool industry in this country could form quite an adjunct to the raising of sheep?

Dr. Nettleton: Mr. Chairman, in discussion of wool relative to meat we must consider the hard Canadian winter, which occasions a very high winter feeding cost. Therefore our return on the sheep must be similarly high. In the "down under" countries, Australia, New Zealand, South Africa and the Argentine, winter feeding costs are relatively low. Those countries are also a long way from the meat markets and meat is a very expensive commodity to transport. For that reason in those countries wool is relatively more significant than meat. I would doubt if in Canada wool, even if the sheep were to keep all their oil, would ever compete with the value of lamb. I would say that the value of wool might be \$3 to \$5 per sheep and the value of lamb produced by that sheep would be more in the region of \$45 to \$100 per season.

Senator McGrand: I did not intend to compare Canada with Australia or South Africa, because of their climate and the fact that they produce a very fine wool. My comparison is drawn between production in the British Isles and that in Canada. Certainly in the Highlands of Scotland and out in the Hebrides the climate is almost indentical with that of Nova Scotia. If they can raise sheep especially for wool rather than meat, although they eat lamb, of course, I wonder why we could not do it in Nova Scotia?

Dr. Nettleton: In Wales, Scotland and the Hebrides the animals are expected to maintain themselves almost 100 per cent and winter feeding is only anticipated in emergency situations. We are faced with a three- to four-month winter feeding season. The only place I know of, in my limited experience as far as Nova Scotia is concerned, to compete with the Hebrides is the Atlantic shoreline of Nova Scotia where flocks of sheep are maintained with virtually no feeding arrangements.

Senator McNamara: Mr. Chairman, I am very ignorant of this type of conversation, having had more to do with marketing than production. However, I have always been interested as to why we do not have more sheep raised for meat in Canada. I cannot see any future in the wool. What is the basis of your winter feeding? Is it imported from Western Canada, where the prices are so high now? What ingredients are used in the winter feeding program?

Mrs. Nettleton: As I tried to explain in my brief, with our own flock we are basically endeavouring to make use of what we have in Nova Scotia as much as possible. In my opinion it is a very poor policy to feed imported grains, which is very expensive. We endeavour to keep the winter feeding cost as low as possible. This ties in with the idea of the killing plant. Unless more prime land is used to grow grass, more grain must be fed. The one thing that we can grow in Nova Scotia better than anywhere else is grass. If we can keep our sheep farming as a grassed-based operation, and keep grains to the minimum, we will be way ahead. More and more people are going into the sheep business bacause of that, because we realize that costs are escalating. We cannot afford to be in feeding grains.

The Chairman: I am wondering how best to handle the questions. We might deal with them topic by topic or subject by subject and ask any one of the witnesses to express an opinion.

Senator Lafond: We do not appear to have heard from Mr. Lorraine.

The Chairman: I am sorry. My error.

Mr. Edward Loraine, Truro, Nova Scotia: Honourable senators and fellow farmers, I have a very short presentation, from which I hope I shall be able to bring out some points that will open up discussion later on. The Nova Scotia farmer's problem is similar to that of his counterparts across Canada. His costs have escalated at an alarming rate, while prices received have not kept pace.

The present beef situation has been caused by a world-wide build-up in cattle numbers and is not unique to Nova Scotia or Canada. This has happened over a period of years as a result of generally favourable prices. In 1973 Nova Scotia feed lot operators paid high prices for feeder calves, in anticipation of a favourable market in 1974. During the winter of 1973-74 feed costs, as well as all other costs, increased, while the market for finished cattle dropped

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well below production costs. Cattlemen were caught in a squeeze and lost money on each animal marketed. As a result, confidence in the industry has been at a low level through the latter part of 1974.

In an attempt to offset high feed costs, high operating costs, and previous losses, the price offered for feeder calves this fall has been below last year by 25 cents to 30 cents a pound. That is a conservative figure. The cow-calf operator has not received a decent return for his efforts in 1974. As a result, cow slaughter has increased. This has the short-term effect of reducing the price for lower quality beef, but has the longer term effect of limiting the number of calves available for feeding. I feel that higher prices to the consumer will be the result of this.

As a producer, I would like to mention subsidies in general. These are really programs to assist the consumer, but people feel that the farmer is getting the benefit. I feel strongly about this.

The Beef Quality Premium Program and the Beef Stabilization Plan implemented by the federal government in 1974 have not had a beneficial effect on producers. I feel that the government must be careful not to implement programs which will upset the natural balance of supply and demand.

I am involved in all phases of beef cattle production and depend on this industry for my livelihood. My costs have increased at least 50 per cent over the past year, while my returns have decreased. I would like to mention areas where my costs have increased, such as feed costs, cost of money, operating costs, cost of machinery and equipment, labour costs and marketing costs. The beef industry in Nova Scotia is relatively small, but is expanding. We need better marketing facilities such as slaughter plants and sales yards.

I am not happy with the present situation—by that I mean at the present time—but expect this to rectify itself within one to two years. I suspect that consumers will be paying higher prices for their beef in the future and the producer will be in a much better position than he is at the present time. Thank you.

The Chairman: There is one question that I would like to ask, which might help the committee. It seems to me that there has not been any appreciable reduction in the price of beef in retail outlets—certainly not in any way comparable with the reduction in the price of beef to the producer.

What happens to the low-priced beef that is slaughtered? Why does it not get into the retail stores? Why is it not on the counters, and why should not the industry and the retail outlets be making an effort to market the low-priced beef that is purchased from the producer through the retail outlets at reasonable prices?

We have so-called high quality beef at super high prices and nothing less; but the farmer is receiving low prices on the basis of lower quality beef that does not get to the consumer

Mr. Lorraine: I cannot speak in regard to the retail level. I am not a retailer. All I can do is offer some suggestions from what I have gone through in my own feeding operation. We are not a large feedlot operation. This year we are feeding around 400 head of cattle. Last year I was more of a "big shot" and went a little higher and fed 700 or 800 head. It was the first year I tried that. In August 1973 I sold one carload of steers at \$62 a hundred live weight. Today I

suggest that if I can get 45 cents a hundred live weight for the cattle, I am lucky. We produce corn silage to feed our cattle plus hay, and we buy our supplement. At that time our supplement was costing \$68 a ton and today it costs \$168 a ton. So there is a fair increase in the cost of production. We are now taking somewhere in the area of 15 cents to 17 cents a pound live weight for the finished product. I cannot speak what happens after it leaves the farm.

The Chairman: That is one of the major problems facing beef producers throughout the country. The consumer apparently does not get any of the benefit from low-priced beef. If the consumer were getting the benefit, although the farmer might not appreciate the low prices for the beef, at least the beef would be moved onto the market, the consumer would increase his consumption, and it would bring about, over a period of time, a solution from the farmer's standpoint.

The other day I was in the IGA store on Elgin Street. I looked a their beef and found there was no beef less than \$1 a pound. The average price for cuts of beef was \$2 per pound, with beef going up to \$2.75 per pound. We were having guests and thought of having beef steaks, but we got scared off. It is a crime that the farmer is getting 25 to 30 cents a pound for very good beef and the consumer cannot find low-priced beef.

Mr. Lorraine: I would like to cite one example. In the past six or eight weeks I have had a standing order for one trailerload of calves to be moved every week. This is simply butcher balogna, fat calves and heavy bulls. Two weeks ago I was comparing the situation. In the past three to four weeks prior to that, the load of cattle was dropping by an average of \$1,000 per week. One week it was \$1,200 and another week it was \$800. It was averaging \$1,000 a week less.

I pulled out an invoice from a year ago, for the same week, and the load at that time—the same trailer and truck—was \$13,200. Two weeks ago, for the same week corresponding to that of a year ago, the load was \$5,600.

In the past week, the load of feeder calves was a bit light. We were taking roughly about 50 per cent. I remember buying a bull at the sale about that time that cost me a little over \$1,000. I bought one last week, pretty nearly identical in weight, and it cost me \$500. There has to be an answer here. I do not know what it is. I am not a retailer. Either someone lost a heck of a lot of money a year ago or they are making a lot now.

Senator McNamara: Mr. Chairman, I should like to follow-up on the theme we are trying to develop in connection with sheep farming in relation to feed grains. It seems to me that the greatest problem for cattle, sheep or pultry farmers in the Maritimes is the cost of the imported feed grains. We are all aware that grain prices have gone up and I, for one, do not expect to see a decline in price in respect of grains. However, even with assistance in respect of the cost of freight for moving this grain from our Western provinces to the Maritime provinces, the cost remains great.

Is it not possible for Nova Scotia and the rest of the Maritime provinces to grow more of their own feed grains? As I say, it seems to me that the cost of feed grains is one of the major factors working against the cattle, sheep or poultry farmer in the Maritimes. We do, of course, have market fluctuations. Beef, presently, is down in price, but

it will get better. However, in the overall view, it is the cost of the ingredients which go into the raising of cattle and these other products which should be kept to a minimum. To that end, I am wondering whether there is something that can be done to increase the amount of grain production in the Maritime provinces themselves, making them less dependent on imported feed grains from our Western provinces.

Mr. Lorraine: If I may speak of my own operation, senator, if it were not for my own corn production at the present time I would certainly not be feeding cattle. There is no way I could grow corn and hay in sufficient quantity to feed my cattle. We are limited to a number of acres of land, and in my own particular area there simply is no more land available. A few years ago I was able to pick up a neighbouring farm which we have since utilized. At that time we were feeding about 200 head of cattle, and as a result of my acquisition of the neighbouring farm we were able to increase that to about 400 head. But we are limited in terms of land.

In addition, because of the weather conditions with which we are faced, I, for one, find it more profitable to grow corn than to grow cereal grains. I would like to be in a position to grow grains, but I would rather use the land that I have for pasture—and we do have excellent pasture—land. I find it is more profitable for me to use that land for pasture than to use it for the pruposes of growing cereal grains.

Senator McNamara: Are you growing hybrid corn?

Mr. Lorraine; I am not quite sure what you mean by that term, senator. I am growing Stewart 2607, Pride 5, and this type of corn.

The Chairman; You do not produce your own seed?

Mr. Lorraine: No, we purchase the seed.

Senator McNamara: I also understand—and I stand to be corrected in this respect—that there is farmland available which is not being utilized. Cannot that land be broken up and put to use for the purpose of producing hybrid corn and other feed grains, thereby reducing the cost to the farmers of the importation of feed grains?

Mr. Lorraine; If I may answer that, senator, what it boils down to is the transportation problem. The land in question would have to be close to your present operation. If the land in question is 10 or 15 miles from your operation, then you have a transportation factor which enters into it, adding terrifically to the cost of production.

Senator McNamara: The western provinces from which you are now importing feed grains are certainly a long way from your operations.

Perhaps Mr. Morehouse could comment on that.

Mr. Morehouse; Mr. Chairman, I think Mr. Lorraine's statement in that respect was an accurate one. In other words, the land being so utilized would have to be relatively close to the individual's sphere of operation. Farmers are not going to travel any great distance to harvest a grain crop, although this is done in cases of necessity. The cost to the farmer in terms of the equipment he would require to move a grain crop along the highway for a distance of 10 of 25 miles would be prohibitive. As Mr. Lorraine has said, it is a matter of accessibility to this land. I do concede that we do have acres of land which could be put into grain

production, but this land, unfortunately, is in the wrong place in relation to present commercial farming operations.

Senator McNamara: Cannot we reverse the process and feed the cattle where the land is?

 $\boldsymbol{Mr}.$ Morehouse: I would like Mr. Lorraine to comment on that as a practical farmer.

Mr. Lorraine: For the past three years I contracted some feeding out on a pound gain basis, about 40 miles from my place on the north shore of Cumberland County. I put 300 head on that particular feed lot operation, to be fed out, and it worked very well for twoo years. Because of the way the market went last year it sure didn't go very good. The result was they had a very poor corn crop this year. This year when I could have bought feed cheap and put them in there to regain what I lost last year they had about half a corn crop, so they did not have any corn to feed cattle for me. I tried to move the cattle out of this area to have them fed. For me to go over and start an operation — no.

Senator McNamara: I do not want to monopolize the questionning and this will be my last one. I should like to ask Mr. Morehouse if the department is doing anything as a department to try to increase the production of home grown feeding grains in Nova Scotia.

Mr. Morehouse: Yes, from the standpoint of some subsidies, which may or may not be the reason for a particular farmer expanding his grain production program. Our philosophy is that each farmer should produce as much grain as is practical for that farm. We know that we certainly cannot have grain production at the point we can supply our own needs. I do not think that is possible or practical, even though we have many acres of land coming into grain production. Each farmer is encouraged through some of our policies, and because it is economically sound for them to do so, to produce as much of his grain as can be produced on that farm.

For instance, one hog producer is producing practically 100 per cent of his grain requirements, and is purchasing only protein and mineral needs for his hog ration. This is possible on some farms. On other farms, because of the land base, maybe because it is a poultry operation with a small base, it will be necessary to import most of their grain for the operation, because it is not available on the market. We have very few producers who are producing only grain for the market. Most of those producing grain are feeding it to their own livestock on the farms.

Senator McNamara: Is grain production on the increase in Nova Scotia? Are you producing more grain in recent years?

Mr. Morehouse: Yes, particularly grain corn and wheat.

The Chairman: Is any effort being made in Nova Scotia to bring back abandoned farmland into production again? It may be too far away from somebody to take his cattle to this land after it is brought back into production. There may not be, and I am not being critical if there is not, but is there any concerted effort to bring land back into agricultural production? Is there any policy to bring it back?

Mr. Morehouse: Yes. This depends largely on the initiative of the individual farm operator. We do have a land improvement policy in the province, which goes part way. It is a policy that has been worked out, with representations from the farm organizations in the province, in clear-

ing new land, the initial application of fertilizer, drainage and so on.

The Chairman: Do you have any idea what acreage might be coming back into production? Is it a net gain or still a net loss?

Mr. Morehouse: I can quote figures for my county. In Kings County, for example, in 1973, under our policy we cleared approximately 1,000 acres of land in the county. At the same time, 1,000 acres of class 2 and class 3 land, which are our best lands, went into housing units.

Senator McGrand: I agree with everything you have said, Mr. Lorraine. However, at least once you said, "There's got to be an answer." I agree there has got to be an answer. What suggestions do you have in order to get the answer?

Mr. Lorraine: I am trying not to be sarcastic, but I am busy farming and I don't think I have any answers.

Senator McGrand: I do not expect you as an individual to have the answers, but I mean the farm community, the farm groups that have come all the way from Nova Scotia. They must have suggestions.

The Chairman: I think there are suggestions in the briefs. We could go through them and find the suggestions.

Senator McGrand: I know there has got to be an answer.

Mr. Lorraine: What particular portion of my submission are you questioning?

Senator McGrand: Once or twice you mentioned the problem that you had, and you said there has got to be an answer. I wrote it down. That is what I had in mind. You have a problem in beef production?

Mr. Lorraine: Yes.

Senator McGrand: What would you like to see implemented that would assist you in your problem?

Mr. Lorraine: First, I would like to see some means of getting cheaper money. When borrowing money today, the best I can borrow it at is approximately 11¾ per cent. At least, it was two weeks ago; maybe it has fallen a little since then. That is one area where we have got to have some assistance, in getting cheaper money.

Senator Norrie: Say that louder, Ed.

Mr. Lorraine: There is another area, which I think I have pointed out here. I am not happy with the present situation, but I expect it to rectify itself in the next one or two years. In other words, if beef prices start to go up—and they are bound to go up; they have got to go up, the way the cow-calf slaughter has been taking place this year; I do not mean in Nova Scotia, but across Canada and in the United States, which is controlling us—if beef prices start going up, stop worrying about the consumers and leave us to hell alone. That is basically what I am saying.

Senator McGrand: I agree with you.

Mr. Lorraine: Let our prices go up. These little bits of subsidies that are being handed out by any level of government are not a subsidy to the farmer. All you are doing is trying to keep the price down to the consumer, so why not say it is a subsidy to the consumer instead of the farmer being the one who is the goat, so to speak, in the consumer's eye?

Senator McGrand: You are getting a little assistance, but you do not get any of these fringe benefits that are handed out to organized labour when they threaten to go on strike. Isn't that it? They get an increase in wages and get all the fringe benefits. Agriculture gets no fringe benefits. Isn't that right?

Mr. Lorraine: Look, just let me point out one example. I was going to buy a couple of self-unloading wagons and a blower last year for a salvage operation. There weren't any available last year so I hired them. I could at that time have bought two wagons for \$4,000. When they finally did come in this fall those two wagons cost me \$6,500. Look where our beef prices went. That is a portion of our cost of production. I am saying, when that beef price starts to go up lay off, leave us alone.

Senator McGrand: I agree.

Senator Norrie: Is any research being done on qualities of grains that have a shorter maturing span than they do now, which would be applicable for growing in our short season? Are they working on it?

Mr. Morehouse: There is continual research at the federal research station at Charlottetown, which is the main one for the Atlantic provinces, including corn, and also at the research station at Kemptville. There are also some varieties of grains that have been developed in the Atlantic provinces at Charlottetown. Opal is another selection that came from England and was developed for the Maritime provinces and the Province of Quebec. There is continued variety monitoring and variety testing in all cereal crops and in some of the protein crops, such as soya beans and alfalfa in Nova Scotia. I think from this standpoint our farmers are getting the right information on grain varieties. Some farmers may wish to correct me, but this is my view.

Senator Norrie: Thank you.

The Chairman: Before we call on Mr. Fisher, I would like to make one comment on Mr. Lorraine's statement. He said that one suggestion he would make was that governments might take action to reduce the cost of money. What I have to say may not be new information for him, but I understand that in the three Prairie provinces they have provided interest-free money based on the number of calves a farmer has and wishes to hold until next year. So for a limited sum of money for a limited purpose—which you may not agree with—the cost of that money is zero. That is at least a bit of money that the farmers can get at no interest rate.

Mr. Lorraine: This was not in the form of an advance for calves.

The Chairman: Yes, it is.

Mr. Lorraine: Of what nature?

The Chairman: I understand \$75 per head.

Mr. Lorraine: This I could not agree with, because I say that all you are doing is prolonging the agony.

The Chairman: What do you mean by that?

Mr. Lorraine: You have got to go through with it. We have got to eat our way out of this and if it means that somebody has got to fall by the roadside, they have got to fall. I may be one of them.

The Chairman: I think this is due to the attitude of the ranchers, and I disagree with it. When you say you have to eat your way out of it, if the farmers sell 25 cents beef and it means no advantage to the retail purchaser, I do not see that that is a very sensible program. What you get here is a conflict of opinion between the small farmer and the rancher as a feed lot operator. There are people who are taking this cash advance, and they must feel that it is to their advantage or they would not take it. If I have calves at home and I can sell them today for 25 cents a pound and that is all I can get for them, or 20 cents or less than that, or some of them at \$20 a head, I would think that it is to my individual advantage to take this cash advance and to hope and expect that next year we would have a higher price, to some extent.

Mr. Lorraine: I would suggest that if that was a spring nursing calf and it was only worth \$20, it would be better to shoot it.

The Chairman: I think you are very wrong in that. I have farmers going out to buy these calves and I do not think they are stupid. I think they are smart.

Mr. Lorraine: Not in the case of spring calves that are going to be worth only \$20. If you are talking at 20 cents a pound, I say—

The Chairman: No, no, \$20 a calf. That is just how bad it has got, how terrible it is. I had a neighbour at home who took a couple of truck loads of steers into the city. He was offered so little that he sold only three of them and he brought the rest back to put on beef, and he bought calves, too, and he brought them back. He got four calves for \$79.

Mr. Lorraine: I would say in this regard that we may be a bit more fortunate in the province of Nova Scotia, because we have not gone quite that low but people say that our prices are low. Last year, I supplied a fair few feed lots in Ontario with feeder calves, and last year at our annual feeder sale I paid the top price of \$72 a hundred-weight for feeder calves. This year I bought those same calves at \$30.25. That is on top calves. So there is a difference of approximately \$42. So that does not carry straight through on the average.

The Chairman: The calves I talked about would be 200 pounds. They would be small calves; they would probably be young calves. I am only guessing, because I do not really know. They were probably three months old.

Mr. Lorraine: Surely those calves were worth 25 to 30 cents for veal.

The Chairman: I do not know the exact reason. There were hundreds of calves slaughtered by the farmers in the province of Quebec because they were only holding that sum of money. It may be misinformation in the press. They were getting 10 cents a pound for 200-pound calves. That was the market price.

Mr. Lorraine: I know we have not dropped to that in the province of Nova Scotia.

The Chairman: As far as subsidies are concerned, I do not think it is a political matter in the sense of what one is doing with political philosophies; in the province of Alberta, the Conservative government, in a real free enterprise with Dr. Horner as the Minister of Agriculture, is doing the same thing.

Mr. Lorraine: I am not for a minute suggesting that there is any political question there.

The Chairman: I do not think there is any political philosophy involved.

Senator Michaud: I would like to put a question to Mr. Lorraine with regard to the availability of farm land. You mentioned that in your own Truro area you were limited in the availability of farm land. I can understand that situation. On the other hand, you have other areas in the province where there is land available, but it is too far away to be of any useful purpose to you. Would you like to indicate exactly how far away does the land have to be to be considered as available or not available, from an efficiency point of view? Would it be seven or eight miles, or ten miles, so that you can roll your farm equipment efficiently?

Mr. Lorraine: Naturally the land that is right adjoining your own property is far cheaper to farm than land which is a few miles away. We do have some land that we grow corn on that is approximately ten or eleven miles away.

Senator Michaud: And you consider that that is not out of the way?

Mr. Lorraine: I consider that is pretty near the maximum, because I notice the loads the boys are bringing off, from ten miles away, and I notice the loads they are bringing off from right beside the feed lot. It means you are cutting yourself down to less than one half the number of loads coming in per day. You are certainly uping your cost of production.

Senator Michaud: You figure on ten miles?

Mr. Lorraine: At ten miles, with tractor and equipment it can be done, but it is quite a distance. You should then be into the trucking system and we just do not have trucks and I do not think that my operation warrants buying a couple of trucks.

Senator Michaud: You are doing that distance by tractor?

Mr. Lorraine: Yes.

Senator Michaud: And do you still consider that it is sound farm economics to do it?

Mr. Lorraine: Yes, I think so. I think we can do it up to that distance.

Senator Michaud: I have another question, in line with those questions which Senator McGrand was putting a while ago. Have you any suggestions here? I have been reading a report here published yesterday by the *Chronicle Herald*. At one point, Mr. Scothom said:

We are not asking to be welfare bums. We just want the government to recognize that there are problems in the daily industry and to do something about them.

I do not think this applies to the dairy insdustry alone. We had reports here this morning covering all aspects of farming. You presented your views for the cattle industry. We had others who presented other views. I would think that these comments would apply to all phases of agriculture. This boils down, to my way of interpretation, to this: what is needed more than anything else is leadership in all these problems. I would tend to agree that this is a fair

comment, where it is said that the government had to provide the leadership in providing the answers to all these farm problems which are being met in Truro, in your own part, as well as in my own province of New Brunswick and elsewhere, these are very serious problems. I am not quite sure that you did come up here to supply us, as perhaps it is suggested, with answers; perhaps you are here to seek answers.

Senator McGrand: Suggestions.

Senator Michaud: Suggestions, from people who are in a position to give assistance and to lend leadership. I think I am right in saying that this incident, as it is being indicated in this Chronicle Herald report yesterday, means that the government has to recognize that there are problems in the farm industry, this industry, not just the dairy industry, and that something has to be done about it, coming from that level. Would you agree with that suggestion as reported in the paper yesterday?

Mr. Lorraine: Yes, I would say this, that if you are concerned about the cost of food to the consumer, some action should be taken. I am not in a position to suggest what action should be taken, but some action should be taken if you are concerned about the cost to the consumer. If it continues at the present rate that is going through and keeping up our increased cost of production, I would suggest that the law of supply and demand would take care of those people who are left in the farming industry. The consumer is going to pay through the nose for it because there is going to be a shortage of supply. I agree that it seems that more thought is given to keeping the cost of food low to the consumer than there is to assisting the farmer. So if you are thinking of keeping the cost of food down, some action should be taken. My personal view is that this action is going to be taken, because there is going to be more people getting out of it. Why would people work when you could draw \$100 a week welfare? Why would a person continue farming at the rate of income that he has had this year, when it is so much easier to get a living through welfare or some other social assistance?

Senator Michaud: I want to make sure that I get you right, Mr. Lorraine. Are you saying now, as it is stated here in this report of yesterday, that the government will have to step in and take the necessary leadership to solve all the problems existing in the farm industry today?

Mr. Lorraine: In conjunction with the farmers, if you want to keep the cost of food low.

Senator Michaud: I am not sure whether I have this right or not. Or would you leave it all to the law of supply and demand?

Mr. Lorraine: I am suggesting that the law of supply and demand is going to take care of it.

Senator Michaud: To some extent?

Mr. Lorraine: To a pretty good extent, if it continues without some form of assistance.

The Chairman: But having taken care of that situation, the price-cost one, there may be other things that might flow from it that might be undesirable, such as getting rid of the farmers in the industry. Excessively high prices for the end product might not necessarily be the answer. It does not need to go that far, if some action is taken now to ameliorate a very difficult situation.

Mr. Lorraine: We hear so much talk about the family farm. Depending on what you define as a family farm, my opinion is that, in the beef business of the family farm, if you are talking about the feeder operation, you must feed somewhere in the vicinity of 400 head a year and try to produce the majority of that feed on your own farm.

Senator Michaud: That is the minimum?

Mr. Lorraine: I would say 300 to 400, but I would not want to be exact. I say that in the province of Nova Scotia we do not want to go much greater than that, because if my help were to leave me today, I could go back and operate that myself. I am not so dependent on outside help. But if I get up to 1,000 head of cattle and I am dependent on one or two men, I must remember that labour is a pretty difficult problem in the province of Nova Scotia, that is, to hire labour that has some experience in the feeding of cows. Anyone can go in and throw a bucket of feed in to a cow, but that is not feeding cattle.

The Chairman: That is why, Mr. Lorraine—in my judgment, and I think in yours also—we will always have the family farm because the family farm is the most efficient. A man and his wife might work on their own farm for substandard wages, but there is no way you can hire efficient help. People talk about corporate farming, but there is no way corporations can go into the beef feeding industry and make a dollar. There are too many other things that can be done.

Mr. Lorraine: Mr. Chairman, I might add that if we do get into corporate farming, Mr. Consumer is going to pay for it.

The Chairman: Thank you very much.

Mr. Lorraine: Thank you.

The Chairman: Honourable senators, we now have Mr. Fisher.

Mr. Garnet Fisher, Shinimicas, Nova Scotia: Mr. Chairman and honourable senators, I am pleased to have the opportunity to tell my story to you. I wish to thank Senator Norrie for the interest she has taken in helping us and shepherding us here.

To start off, I will give you a little history of my farming operation and will take only a couple of minutes. I am one of a group of our family farms, consisting of two older men and two sons. We operate four separate units. Each farm is operated individually and there is a house provided for each family. We do exchange labour a bit in the season or if one of the members leaves the Farm. It seems to work out pretty well this way. We also share some machinery, a limited amount, where it would not warrant the purchase for one farm. One of the young men is responsible for a 100-sow, farrow-to-finish operation. The other grows pedigree seed grain, and this year he harvested 25,000 bushels. An older member, near retirement age, feeds some beef cattle and a few hogs. I am getting along, too, but I have a 45-sow, purebred swine operation which provides breeding stock for a commercial deal. I also sell about 20 per cent of the hogs as breeders.

 $\mbox{Mr.}$ Chairman, I was supposed to touch on the hog industry in Nova Scotia.

The Chairman: Yes, please.

Mr. Fisher: In Nova Scotia, in 1957, 17,350 hogs were marketed. The gross value was \$750,000. In 1973, we

increased that to 106,518 hogs with a gross value of \$9 million. Approximately 250,000 of these are consumed yearly in our province. You can see from that that we are only approaching one-third of our requirements.

The bulk of our hogs is coming from fairsized operations which are mainly family operated and controlled. Some of them are on a farrow-to-finish basis. They range in size from 16 to 125 sows. Others produce weanlings and sell the weanlings to hog feeders. Some producers seem to favour the 100-sow, farrow-to-finish operation, as it is mainly a two-man operation which makes it possible for a farmer and his son, or assistant, to have occasional weekends away from the hog barn.

Good breeding stock is available in the province for our commercial producers, and a fairly large number of breeding animals are exported outside the province. Nova Scotia hogs are the highest indexing carcasses in Canada, which is of some advantage on the market. Hogs in Nova Scotia are marketed through a producer-appointed marketing board. That board operates under the authority of the Natural Products Marketing Act.

The Marketing Board employs a selling agency to negotiate a selling price for market hogs. Our selling price follows closely the average weekly price being paid in Ontario markets. This plan has been in operation for a number of years and receives the support of, I believe, all pork producers in Nova Scotia.

A hog stabilization program was established last April. This is financed jointly, 50-50, by producer and government contributions. Each three-month period the production costs are reviewed by a committee made up of producers and provincial government representatives and a price set in relation to these costs. If the market price is below the stabilized figure, the difference is made up from the stabilization fund. When the market price is \$3 per cwt. or more above the stabilized price, a contribution is paid from each hog marketed into the fund. For most producers the stabilized price is no more than a break-even deal with nothing for labour and capital involved.

Our production has held up fairly well during the past year in spite of low market prices, but the situation is anything but encouraging and a number who were planning on setting up new units seem to be waiting to see what is going to happen.

Our agricultural college in co-operation with the Manpower people provide courses in swine management as well as on-the-job training in a few cases. This has resulted in the appearance of a number of young men who would perhaps establish their own operations if conditions would permit. As well, two or three young women have also taken advantage of this course.

We do have a number of problems in the swine industry in Nova Scotia. Processing facilities can barely take care of present production and many Nova Scotia hogs have to go to New Brunswick and Prince Edward Island to be slaughtered. This is because we have only one packing plant situated in the southern part of the province. The one abattoir in Nova Scotia is now enlarging but it is too far away from the northern and eastern areas to be of service here. Producers would favour another killing facility in the northern part of the province.

Feed costs have increased greatly but I believe with some real encouragement in developing some of the idle land we could produce more home-grown feed than at present. Some movement on the part of government is already in evidence toward this but we feel any assistance must be substantial and not be delayed capital.

Established farmers can perhaps survive the agricultural slump we are now in if it does not last too much longer, but we think it is extremely difficult for a young man to get into any line of farming today. Costs of material and labour to erect buildings, such as hog barns, are extremely high. Interest rates, taxes, insurance, et cetera, all add to these costs. Although we have a few young men in the agriculture industry, the average age of farm operators is fairly high and we are bound to see a gradual decrease in number on account of age, and we wonder how it can be made possible for the young man to get into the industry. I believe some of the government-operated farm loaning agencies will lend up to 90 per cent of a maximum of perhaps \$100,000. But even at this, the young man must have 10 per cent downpayment and, in addition, operating costs, living costs, et cetera, have to be taken care of. I believe we have to go even further. I think a young man who takes training in swine production, who has served a year on a good hog farm and can get a second recommendation from his employer should not be required to put up the 10 per cent downpayment. Also, I think the loan made to him should be interest-free for a few years until he gets established. This should also apply to other lines of farming.

We see much money being spent on Local Initiative Programs, mainly going to towns and villages with very little going to the rural areas. Many of these programs, in our opinion, are quite extravagant and even wasteful. Also, many grants are made to establish industrial parks and industries in these parks. I believe if we are to continue to set up an agricultural industry, we have to turn some of this money toward it and take some risks on behalf of our farming population.

Until recently—and even yet in too many instances—the occupation of farming has had a very poor image in the eyes of the whole population. I think this is especially true in eartern Canada. Perhaps the farmer is responsible for some of this and I think we have to work toward improving this image.

I also think that in the future the consumer will have to spend a larger portion of his income for food if he expects to have an adequate supply. No longer are farmers going to work a 60-hour-or-more week to keep up a supply of cheap food to those who work 40 hours or less.

The Chairman That was a very good brief, Mr. Fisher.

 $\ensuremath{\mathrm{I}}$ wonder if Mr. Chambers or Mr. Christie would have questions or comments.

Mr. Christie: Mr. Chairman, I would like to direct some questions either to Mr. Fisher or Mr. Morehouse with respect to feed grains. I believe Mr. Fisher had certain comments to make with respect to feed grain production, and I would like to know, considering only the best production conditions in Nova Scotia, how the cost of that provincially-grown grain would compare with imported western grains.

The Chairman: Are you talking about the market price or are you wondering whether the cost of growing would be about the same as the cost of buying?

Mr. Christie: I would like to know how the cost to the farmer in producing his own grains in Nova Scotia would

compare to the cost of that farmer's buying imported western grain.

Mr. Morehouse: Well, Mr. Chairman, I will take a stab at it, but I stand to be corrected by the farmers who are here with me. On average, I guess, imported grain will run in the vicinity of \$130 to \$140 per ton. With regard to production costs, I was talking to a farm management specialist a few days ago. It depends a lot on volume, which farm it is and where the farm is located, and yield, and so many factors; but in the vicinity, I would say, of \$100 to \$120 per ton; so there is a bit of an advantage, I think, in home grown production in Nova Scotia.

Mr. Christie: Mr. Chairman, if I might just follow that up with reference to corn, is corn production more profitable in Nova Scotia than the production, say, of barley or wheat?

Mr. Lorraine: Mr. Chairman, I might try to answer this, simply in view of my own operation, and in view of the shortage of land we have. I feel that it is a far more economical crop to grow, in that we can grow such a tonnage per acre. I am talking about silage corn, not grain corn. I have never had the experience of growing grain corn. But we weigh our corn off in the fall. I do not say we weigh every load, but I know the Agriculture boys come out, and they weigh out a portion, and the loads in that portion, and do it from different fields, and this gives us an average. This year the average was 21 tons per acre of silage corn. This is done just in the stage while it is still green before the frost has struck the leaves. That would be reduced considerably if you had a frost, and the leaves had turned brown and dried out. So due to the tonnage per acre, it is the most economical crop that I can grow to feed the cattle.

The Chairman: What would be a big yield for barley, supposing you had a really great crop?

Mr. Lorraine: As I remember, back a few years ago, the last big barley crop I grew I think we had somewhere in the vicinity of 60 bushels to the acre, and I would say that was probably high. One year we had oats in, and we had pretty close to a hundred bushels of oats to the acre, which was exceedingly high, I would say. I do not know what the average is, but that is roughly what we had from our own land.

Mr. Christie: So, Mr. Lorraine, you would be saying that one can grow more TDN per acre of silage corn than one can growing barley, or some other grain.

Mr. Lorraine: I think in our own operation we can. I cannot speak for the average of Nova Scotia. I think Mr. Morehouse is more qualified to speak on that than I would be.

The Chairman: Are there any comments on that subject from anybody else?

Mr. Brown: In my own operation I have been growing corn for silage for five years, and certainly it is the highest per ton per acre crop in Nova Scotia, in my opinion. Our problem in Nova Scotia is that we do not have enough of the top land to produce high protein crops, for instance.

The Chairman: But your land will produce corn?

Mr. Brown: For silage.

The Chairman: Which contains the proteins.

Mr. Brown: Yes, that is true. But in my own operation I have to buy my proteins, and these are very expensive feeds.

Senator Fournier (Restigouche-Gloucester): What about grassland as compared to corn?

Mr. Brown: Well, I prefer the corn silage. Now, perhaps if I took that corn land and converted it into alfalfa—it might work, but I think my cost of producing alfalfa would be higher on a per-ton basis.

Senator Fournier (Restigouche-Gloucester): Than corn.

Mr. Brown: Yes.

The Chairman: Do you produce corn after corn after corn?

Mr. Brown: We have, continuously, for five years.

The Chairman: Without any apparent reduction in yield?

Mr. Brown: No. But our biggest problem is soil erosion, with that type of land.

Senator McGrand: I get the impression that this group represents the area within a radius of some miles around Truro where corn probably grows at its best. Now, what about the other areas in Nova Scotia where the climate is not so favourable to corn? We are as interested in the family farm as you are in your area. Just give me a little information on that. Can you grow corn in Antigonish? Can you grow corn in Lunenburg?

Mr. Lorraine: Well, you mention Antigonish. I would say in answer to that that there is a fair amount of corn being grown in the Antigonish area. I know there is a lot of corn grown through Mr. Morehouse's county, and in the Annapolis Valley. There is a fair amount of it being grown in our area, on the north shore of Colchester and Cumberland. There is one thing I do notice, and that is that if you are getting into the north portion of Colchester county, say near the shore, you are in kind of a later season in the spring to get your crop in. However, there is one thing I like about corn, and that I do not like about other grains: With the falls that we have, very seldom do you run into the weather conditions where you cannot get your corn off. I know we never had them in our operation. I guess there have been some in other areas, because it has been terrifically wet. However, I have grown grain that was a total loss, because fall would come in wet, and you could not get it harvested.

Senator McGrand: Can you grow corn in that area that they call the North Mountain, north of the Annapolis Valley, towards the Bay of Fundy?

Mr. Lorraine: I should think you could, but I am not too familiar with that area. You are more in Mr. Morehouse's area than ours.

Mr. Morehouse: Mr. Chairman, we can grown corn in Nova Scotia from Yarmouth to Cape North, almost, and we are getting a majority of the varieties. On the slope of the North Mountain—that is, the north slope, towards the Bay of Fundy—for instance, we have one of our largest beef producers in King's County, with excellent yields of corn. So we can grow it just about anywhere.

The Chairman: Mr. Christie? Senators, these gentlemen over here are going to be helping us write our report, along

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with the senators, so I think it is in order for them to ask questions about the kind of information that will be valuable in the report.

Mr. Christie: One further question, if I may, on corn, to Mr. Morehouse. He was saying that you can grow corn extensively throughout the province. I wanted to ask, what might be the potential acreage for corn production as silage or grain, relative to the present production?

Mr. Morehouse: The grain acreage in particular has been growing, percentagewise, quite fast, in the last five years, because of improved varieties, and more interest in this particular crop. At present I would estimate we have about 12,000 acres of corn in production in Nova Scotia. The majority of this was for silage. Perhaps of this 12,000 acres about 4,000 to 4,500 acres are being used for grain, and the acreage is expanding annually. I am not sure at what rate.

The Chairman: Is that it?

Mr. Chambers: I was interested in one of the comments made by Mr. Lorraine, I think, concerning the lack of land to expand on in his area. I think it has been discussed before to some degree. I notice that the ARDA program for land enlargement and consolidation has ceased under the ARDA agreement, and there is now a land bank being established. Is it a problem of the supply of fully developed land, or is it a matter of cost, or what is the stumbling block? Or is it a general phenomenon, first of all, that there is a lack of land to expand on, and what are the stumbling blocks to that expansion?

Mr. Lorraine: I am again speaking of our own particular area. We are living very close to the town of Truro, and of course the town of Truro is expanding. Close to any town the value of land increases, and there is money available to compete for that land. Here I am not suggesting that we should have any land policy whereby a farmer could not sell his land for development purposes, because there is lots of land available in Nova Scotia so we can just move out somewhere else. There are people who live in town and they want to move out of town and they want to keep a horse or two so they will buy a small farm and they will pay far more dollars than a farmer can at the present time for agricultural purposes. I suggest that this is where the situation is wrong because we should be able to get enough return from our product to be able to compete with industry or with anyone else for that matter. I do not know if that is any help to you; I said a lot of words but just what it means I do not know.

Senator Norrie: Mr. Chairman, Mr. Chambers suggested that we had a land bank, but in my view it is a pitiful land bank. We have \$75,000 involved, so if you want to call that a bank I suppose it is all right to.

The Chairman: Does low-quality land lend itself to corn production or does it have to be fairly high-quality land?

Mr. Lorraine: Our own land is high-quality land, but we can take a sandy soil and produce an excellent corn crop. I had 15 acres on sandy soil this year and produced an excellent crop on that sandy soil which I would consider down two or three in comparison to our own land. It was mentioned also that we do not now have the ARDA Program, and I wish we still did have it. It was one of the best that I have had seen since I have been involved in agriculture.

Some witnesses: Hear, hear.

The Chairman: Does everyone agree with that statement?

A witness: Yes.

Senator Norrie: Could we hear some more comments about mixed farming, or should we leave it until after lunch? I do not think we had enough talk about that.

The Chairman: I do not think we can have a session this afternoon.

Mr. Chambers: Yes, you can have one if you want one.

Senator Norrie: We have lots of problems to bring up yet.

The Chairman: Let us see how it goes before we take that decision.

Senator Norrie: As I say, I would like to hear more comments on mixed farming problems. Is mixed farming feasible or is it a good idea?

The Chairman: In other words, to what extent a mixed farm is an economic unit as compared to a specialized farm.

Senator Norrie: Yes.

Mr. Cox: If I may comment on this very briefly, Mr. Chairman, I think you yourself stated that you felt that the family farm was the basic unit of our agricultural industry or its backbone, and I could not agree with you more. I think you are quite right. But the problem is how are we going to be able to maintain the family farm unit. We have two alternatives, in my opinion. We will have to resort to farm products seeking their own level through corporate farming on a large scale, which I am against, or else have the government give some incentives to young people to take up family farming, or if they are engaged in it at the present time, to be able to continue in it. I feel that as far as corporate farming is concerned, and here I am thinking of corporate farming on a large scale, that if the time comes that, say, 90 per cent of our agricultural products are produced by corporate farming, then it is the consumer that is going to suffer in the end. I say this because the corporate farms are going to be able pretty well to dictate the price and this is certainly not going to be a healthy future for anyone.

Senator Fournier (Restigouche-Gloucester): There was one suggestion made with regard to credit that cheaper money should be available to farmers, and I completely agree with this. Secondly, a suggestion was made that government subsidies are going more to consumers than to producers, and this is certainly partly true. But should we leave the price to fluctuate in the marketplace on the law of supply and demand? Would this mean that our marketing organizations would have to cease to exist because they would be serving no useful purpose? I have in mind organizations like the Hog Marketing Board. Do they not help to keep the price at a certain level at all times?

Mr. Fisher: Well, as far as hogs go, we have more or less relied on the law of supply and demand and one year we have a boom and the next year we have a bust. We would certainly be gratified to see some effort being made to stabilize prices. Whether this is the right direction or not, I do not know. I think the provincial stabilized price in Nova Scotia tended to keep people in business while there was this terrible slump and they were there and they were able

to carry on when production did ease a little bit. It seems to me that we are perhaps headed into a period when we have to relate the supply to the demand. If we cannot export this food where it is needed, it is going to be dumped on the market locally and put producers out of business.

The Chairman: Perhaps I might suggest that one purpose of the marketing board might not be so much to keep the general price higher as to even out the violent ups and downs, in other words to even out the hog cycle so that it is not quite as rough as it sometimes is. Because this means that many people go in and out of thehog business as the cycle goes up and down.

Mr. Fisher: This is what we have been hoping for.

Senator Norrie: Do you feel that the Egg Marketing Agency has helped the industry in Nova Scotia?

Mr. Cox: That is a good question. I know that we in the egg industry have certainly made the front pages in the last few months. It is regrettable that the Canadian Egg Marketing Agency has not been a little more functional in its operations. I am not trying to make excuses, but I think that even if CEMA has been a complete failure, it is my opinion that marketing boards are still a must. None of us is infallible; we all make mistakes; we make wrong decisions, and even politicians themselves make mistakes. I am sure you will all agree with this, but because of this I do not feel that marketing boards should be considered nonessential. They do help stabilize the market. I do not believe the consumers like these great fluctuations in prices which they have had to pay for eggs over the past few years prior to the establishment of marketing boards. To stabilize price and in some way regulate our supply and demand is a highly desirable approach and in my opinion the basing of price on supply and demand should pretty much go out the window.

Senator Norrie: Do you agree that there should be marketing boards for beef, Mr. Lorraine?

Mr. Lorraine: No way.

Senator Norrie: Why?

Mr. Lorraine: Simply because I feel that I have my own livestock and I do not wish to be controlled. I do not see any need, and I believe you will find that the Canadian Cattlemen's Association has gone on record as opposing national or provincial marketing boards.

The Chairman: Different people speak for different types of farmers. The National Farmers' Union is on record supporting marketing boards for beef, whereas the Cattlemen's Association is violently opposed to it, so the government must sort out recommendations from various groups.

Mr. Lorraine: I happen to be a member of the Cattlemen's Association.

Senator Fournier (Restigouche-Gloucester): It became apparent throughout the years that the Farm Credit Corporation was not of much assistance to small farm units. Some of us are more interested, however, in keeping small farm units. It was also discovered in New Brunswick that the small farm loan legislation did not work properly. I would like to hear the views of those from Nova Scotia as to whether that has really been of assistance to the small farmer.

The Chairman: That is the small farms development idea.

Mr. Fisher: I have been connected in a small way with the Farm Credit Corporation, in an advisory capacity. As far as I am concerned it does not appear that this program has caught on in our part of the country. I know of only one case in which this has happened which was in connection with a man who wished to leave agriculture and sold his farm. The appraiser in our area for the Farm Credit Corporation informed me that there has been very little business there.

Senator Fournier (Restigouche-Gloucester): It was discovered also in New Brunswick that the new farm loan legislation was halping farmers to leave farms, but only a small number were assisted into farming. That is why a change in the formula has been recommended.

Mr. Fisher: There have been cases of farms being bought by city dwellers for use as summer homes. They may keep a horse on the farm, but quite often much of the land grows over with bush. This seems to be done for purposes of speculation in the hope that the value of the land will increase, which makes it difficult to acquire land for production.

Mr. Brown: Mr. Chairman, why did the federal government discontinue the ARDA program? I understood that our province had always supported its continuation.

The Chairman: I cannot answer that. It would be a case of asking the minister.

Senator Yuzyk: I am from Manitoba. We have been discussing problems which affect all varieties of farmers. These are mainly problems of supply and demand, together with national problems. Various regions, however, experience problems peculiar to the regions. In some cases these problems are solved, but in others they are not and abondonment of farms and the agricultural industry follows. The provincial or federal government then enters the picture, usually too late. I would like to hear some views in connection with grappling with these problems by farmers engaged in raising hogs or fruit farming through their societies. Do you have societies which are capable of dealing with such problems and how effective are they? This cuts right across the board and would give us some idea as to how we could achieve co-operation, probably from the local level upwards. Most of you are probably connected with organized units in various regions and areas of one type or another and I would like to hear how effective you consider those local organizations to be.

Mrs. Inglis: My husband is a member of the Bridgetown Association of Agriculture. Recently we passed a resolution, which was also passed at the county meeting. May I read the resolution?

The Chairman: Surely.

Mrs. Inglis:

Damage in October 20 Storm:

Whereas, considerable damage and loss was caused to Annapolis Valley farmers as a result of the October snow storm, and

Whereas, this damage has caused considerable loss of revenue for the current year, and

Whereas, in some instances, this loss will continue over a number of years, and

Whereas, the primary producers in the agricultural industry, namely, the farmers, must have assurance that the government supports their work and recognizes the extreme importance of that work,

Therefore, be it resolved that the Federation of Agriculture, at all levels, request monetary compensation from the Provincial and Federal Governments.

This is to go to our provincial Federation of Agriculture meeting, which is held in December, when we hope it will be adopted.

Senator Yuzyk: You must have had a meeting with those who are interested. Do you have a fairly good record of attendance at such meetings?

Mrs. Inglis: In the Bridgetown area we have had quite an active Federation of Agriculture. We find that farmers when there is a small attendance will speak out more than they will in a larger group. I do not believe this is true of all Federations of Agriculture. Mr. Morehouse, can tell us more about this? This is just in our own particular area. We try to keep it at the local level, so that all matters can be dealt with.

Mr. Cox: I would like to elaborate on this. Attendance at agricultural meetings are relatively low compared to five or ten years ago, mainly because the number of farms have decreased. In the last couple of years the Federation of Agriculture has gone into what is called commodity groups. People are specializing in one phase of farming. They have their own association which in turn is affiliated with the Federation of Agriculture. Producers are well represented at the meetings. Through these commodity groups, we express our opinions to the authorities concerned.

Senator Yuzyk: Are you satisfied that you are getting at least the ear of the people you want to reach, or are you dissatisfied?

Mr. Cox: We are reasonably satisfied. Most of our findings are presented to the various levels of our provincial government. I assume they in turn present the policies they consider desirable to the federal level.

Senator Norrie: I think the federation has a very good input to their own group. There is a large element of Nova Scotians who do not attend these meetings. They are the people who are small farmers. I am particularly interested in them, as they represent the small individual family farms. They cannot lay down their work and rush off to a week of meetings in connection with the annual meeting of the federation or of different groups.

Mrs. Nettleton: I am speaking for the sheep producers. I have been closely associated with sheep producers for 17 years. We are about as efficient as sometimes the government lets us be. Sometimes there is a conflict of interests. There has been set up a Canada Sheep Council with money from the federal government. Last year we started an educational program—by "we" I mean the sheep producers. We called it a sheep fair, because we needed a catchy name, otherwise people would not come. It involved fairly intensive educational sessions. We imported our speaker from Britain, and it was very successful.

This year we applied to the Canada Sheep Council for a grant to assist us in setting up the same program. We were turned down on the basis that the name was wrong. They said it was fair and they were not set up to assist fairs. We

said it was not a fair, it was not an exhibition, but an educational program. But this was turned down. In turn we had assistance to kill sheep at a killing plant. Twenty years ago we had 176,000 sheep and lambs in Nova Scotia. Now we are right down. So we have a plant to kill the sheep we have. We were assisted by a LIP grant.

It seems so unreasonable that we do not have communication so that we can all get together and discuss our problems. On a provincial level, in order to increase our ewe flock the sheep producers' organization asked for assistance over a three-year period, to receive assistance with our feeding costs. This means that the sheep would be kept in Nova Scotia. The government comes up with a straight gift of \$15. We have to get away from short-term policies. So I would say we are about as effective as this government allows us to be.

Senator McGrand: How many sheep do you have in Nova Scotia?

Mrs. Nettleton: We have about 18,000 ewes.

Senator Yuzyk: That is dangerously low.

Mrs. Nettleton: Yes, it is. I think the government is trying through a definite approach to increase this. There is talk of revocation on a very large scale. I am not sure that this is necessary. We need to come up with answers to our high cost of feeding.

Senator Yuzyk: Do you lobby, say, in Halifax?

Mrs. Nettleton: If you are trying to farm successfully, it does not leave you with very much time to lobby anywhere.

Senator Yuzyk: I am referring to your organization.

Mrs. Nettleton: As sheep producers, we are down at the bottom of the list. It would not make that much difference. It could make a difference in Nova Scotia, because it is using land that is not used in any other type of farming, and it is not taking food out of someone else's mouth to keep sheep. The question is, what are the answers? If I would ask for something, I would ask for farm subsidies, money that is put into land to produce. I would ask for down to earth research, to stop trying to raise land artificially with fats and milk replacements. Give us research concentrated on the land, on forage crops, grass crops, and so on. There has been fantastic work elsewhere with regard to turnips. We also need work done to assist the sheep farmers.

Senator Yuzyk: What about hog raisers? Are they organized on a local basis, to be able to represent their problems?

Mr. Fisher: Yes, I believe so. We have what is known as the Nova Scotia Hog Producers' Association affiliated with the Nova Scotia Federation of Agriculture. The province is divided into four zones and a couple of directors are appointed in each zone. We attend annual meetings, and problems with regard to the whole industry are discussed. Resolutions are prepared and presented to the annual meeting of the Nova Scotia Federation of Agriculture. They in turn are passed on to either the provincial government or the Canadian Federation of Agriculture.

Generally we always hope for more results and action, but I think generally farmers go along with this organization. I think we are reasonably satisfied with our organization.

Senator McGrand: Are we going to meet this afternoon?

The Chairman: There appear to be some indication that we should. It would perhaps be useful for us to return this afternoon. Is it agreed that the committee adjourn until 2 p.m.?

Hon. Senators: Agreed.

The committee adjourned.

Upon resuming at 2:15 p.m.

The Chairman: I would like to welcome Senator Inman and Senator Benidickson, both of whom were unable to be here this morning because of the weather.

Just before we broke for lunch, Senator Yuzyk, you were asking some questions as to what could be done at the local level in respect of farm problems, and so forth.

Senator Yuzyk: Mr. Chairman, I was enquiring as to what can be done at the local level, the organizations that exist, and what success they have had in dealing with some of the problems or matters of urgency being faced by the farming community. In that regard, we have heard from those individuals representing sheep and hog farming. Perhaps now the committee could hear how the fruit growers tackle their problems through their local organizations.

Mrs. Inglis: Any problems we have are dealt with through the local Farm Federation and the Nova Scotia Fruit Growers' Association. The question in my mind is how many meetings can busy farmers attend? We attend our local Farm Federation meetings where we voice our opinions, which are then carried on from there. We are notified of these other meetings, but neither my husband nor myself have the time to participate in them. There are many people in our area who are simply too busy to participate in all these meetings. We do participate in the Farm Federation meetings at the local level, as I said, but there are many farmers who do not participate in any Federation meeting or group whatsoever, and these people are quite capable of carrying on a farm operation. How do we reach those individuals?

Senator Yuzyk: Well, you say you do have a Fruit Growers' Association?

Mrs. Inglis: Yes.

Senator Yuzyk: That association must communicate with them through letters, radio, television, and so forth.

Mrs. Inglis: Yes, that is true. However, the main problem is that a good many small producers do not attend the meetings that are held. Many of them are simply too busy to attend these meetings. They are certainly aware that the meetings are held. It is my feeling that we must do something to motivate them into attending so that their problems can be aired and solutions arrived at.

Senator Yuzyk: Can the local Federation of Agriculture not assist you in some way in this respect?

Mrs. Inglis: I think certainly any of the Federations of Agriculture and even the Department of Agriculture are willing to assist us, if asked.

Senator Yuzyk: You are convincing me that it is very difficult to organize the farming community.

Mrs. Inglis: That is right, senator.

Senator Yuzyk: In other words, there must be a particularly tough problem before the farmer will come forward.

Mrs. Inglis: That is right. He will talk about his problems with his next door neighbour. As a matter of fact, I sometimes wish I had a recorder so that some of these conversations could be recorded and related to your committee. I am sure such conversations would give you a much better overall assessment of the situation than I am in aposition to give you. Unfortunately, they are busy people and do not have the time to attend meetings.

Senator Yuzyk: But surely they are not busy all year. Surely there are slack periods, are there not, in their operations?

Mrs. Inglis: Slack periods in mixed farming?

Senator Yuzyk: Well, is fruit growing a part of mixed farming in general, or are there independent fruit growers?

Mrs. Inglis: Perhaps Mr. Morehouse can be of more assistance to you in that respect than I. In my area I know of only one individual who is only involved in fruit farming.

Senator Yuzyk: Have you any comments in that regard, Mr. Morehouse?

Mr. Morehouse: There are single enterprise segments in the apple or tree fruit production industry, Senator Yuzyk, but the majority in that industry have other entreprises as well, beef and poultry being the principal ones. Supposedly, Nova Scotia has the largest family-owned apple production farm in North America, which is the Sterling Fruit Farm.

Senator Yuzyk: Is there a marketing agency for fruit?

Mr. Morehouse: No.

Senator Yuzyk: Does the lack of a food marketing agency raise any problems in so far as the fruit growers are concerned at this stage?

Mr. Morehouse: That, really, would depend on the individual fruit grower. I would not want to give a consensus at this time. There was a vote last year as to whether or not there should be a marketing agency, and that proposal was turned down.

Senator Yuzyk: Decisively turned down?

Mr. Morehouse: The majority turned it down, yes.

Senator Yuzyk: In other fields of agriculture, marketing agencies have proven to be very successful. Of course, as we found out, the beef producers are not of that opinion. Perhaps I could now move on to dairy farming which, I understand, is represented by Mr. Brown. Perhaps Mr. Brown could give the committee an account of how dairy farmers are organized.

Mr. Brown: We have what we call the Nova Scotia Milk and Cream Producers' Association which works very closely with the Nova Scotia Federation of Agriculture. Two of the directors of our provincial milk association are also directors with the Nova Scotia Federation of Agriculture.

Senator Yuzyk: And you hold meetings from time to time, I take it, where problems are raised?

Mr. Brown: That is right, senator. I am a director of the Nova Scotia Milk and Cream, Producers' Association, and I attended six meetings during the past year.

Senator Yuzyk: You are doing somewhat better than the fruit growers.

Mr. Brown: We also have a representative of our group with the Dairy Farmers of Canada. I think you will find that the Dairy Farmers of Canada organization is recommending a similar subsidy to the one I recommend in my brief for dairy farmers.

Senator Yuzyk: This is something we want on the record, because that is the approach. Is that your general approach now?

Mr. Brown: Right.

Senator Yuzyk: To make the industry more viable?

Mr. Brown: Right. I think you will find this is an approach that is coming from provinces all across Canada through our Dairy Farmers of Canada.

Senator Yuzyk: At your meetings do you get good participation and lively discussion?

Mr. Brown: I would have to say that our local milk producers' meeting this year was very disappointing. Usually we have the most lively meetings, which are well attended. This year we had a total of 43 out of a membership of 400.

Senator Inman: To what do you attribute the poor attendance? Is it lack of interest or are the meetings not very interesting?

Mr. Brown: I think it is a feeling that farmers have, that they are just disgusted with everything. Really they are.

Senator Yuzyk: You have made some progress. Certainly the prices have gone up somewhat, although maybe not satisfactorily. They realize that this could not have been done if they did not have representation.

Mr. Brown: The thing is, our input costs still seem to be going up faster than our increases in prices.

The Chairman: It is getting worse and worse.

Mr. Brown: Worse and worse. We are not catching up.

The Chairman: Has there been any criticism of the government's dairy policy, their milk policy, in the past? In the industrial milk field you had to produce a certain minimum quota before you got any subsidy at all. Has there been any feeling that this discriminated against the very small producer? Is there any feeling that such a minimum quota should not be required for the industrial milk producer?

Mr. Brown: You see, in Nova Scotia we have very few manufacturing producers as such.

The Chairman: Do they ship cream?

Mr. Brown: No. It is milk generated from the fluid milk producers.

The Chairman: There were some before, certainly. The statistics will show they were there. The statistics will also show that they have been eliminated very rapidly.

Mr. Brown: Right.

The Chairman: I would think their removal from the possibility of getting a subsidy helped reduce the number of farmers. However, I am not very well acquainted with the question, although I have read of it. There may have been so few that it made no great effect.

Mr. Brown: That is right. I have been with the board of directors of the Nova Scotia organization for two years, and this does not seem to be a thing we have very much discussion about.

Senator Yuzyk: I have raised the question of marketing boards. In some fields of agriculture they are opposed; in some fields producers are strongly for it. I gather the dairy industry has been supporting a marketing board, has it not?

Mr. Brown: We are supporting supply management. We are trying to work towards supply management.

Senator Yuzyk: Have you had a consensus of opinion of dairy farmers themselves regarding marketing boards?

Mr. Brown: We have had discussions on it in the dairy industry in Nova Scotia. In Nova Scotia 90 per cent of the milk produced goes through processing plants or manufacturing plants owned by the producers themselves.

Senator Yuzyk: You mean the dairy people?

Mr. Brown: Right.

Senator Yuzyk: They have their own processing plants?

Mr. Brown: Right.

Senator Michaud: What proportion of the production?

Mr. Brown: Ninety per cent of the production in Nova Scotia.

Senator Yuzyk: I guess that would not be true of other parts of the country, would it?

Mr. Brown: No. I think that is the only reason we have not discussed marketing boards. We feel it would be a duplication.

Senator Yuzyk: But you are not opposed to marketing boards as such?

Mr. Brown: Oh no.

Senator Yuzyk: Why would you favour marketing boards? In some cases they are opposed.

Mr. Brown: I think they are a "must" to stabilize prices.

Senator Yuzyk: It is mainly to stabilize prices, to know where you stand at any time?

Mr. Brown: Right.

Senator Yuzyk: This is good to know, because that is one of the problems that will be debated. In the dairy industry you are satisfied that your organization is doing everything that can possibly be done?

Mr. Brown: That funds will permit it to do.

Senator Yuzyk: Then you lack funds?

Mr. Brown: Yes. I think our organization should have an economist.

Agriculture

Senator Yuzyk: What prevents you from having an economist?

Mr. Brown: Lack of funds.

The Chairman: The same as the Senate!

Senator Yuzyk: You have studied ways and means of trying to raise these funds or get grants, have you?

Mr. Brown: Yes.

Senator Yuzyk: Have you been successful at all?

Mr. Brown: Let us say we are progressing slowly.

Senator Yuzyk: So you are optimistic about the future?

Mr. Brown: Yes. Perhaps our Federation of Agriculture should have an economist and farm him out to the Nova Scotia milk producers parttime.

Senator Yuzyk: Has the Federation of Agriculture an economist?

Mr. Brown: No, not at present.

Senator Yuzyk: That might be something that you could take into consideration for all of agriculture. I suppose an economist can deal with all these marketing problems, sales and whatever is required?

Mr. Brown: Yes.

Senator Michaud: When you say the Canadian Federation of Agriculture has no economist, are you thinking of the Nova Scotia branch or the head office?

Mr. Brown: I am speaking of Nova Scotia.

Senator Michaud: Because up here Mr. Kirk is pretty good at that.

Mr. Brown: Right.

Senator Yuzyk: I have only one other question. I wonder if I left out any organized body that deals with agriculture in Nova Scotia?

Mrs. Inglis: Could I come to the rescue of the fruit growers? I am sure that there are many, many fruit growers in the valley who do support the Nova Scotia Fruit Growers Association and attend meetings. There are fruit growers and farmers in Nova Scotia who do not go to meetings, who are not members of any association or federation, but they have feelings and thoughts, whether or not they are expressed. We know that the Nova Scotia Fruit Growers Association is there, and we could go to them if we wanted to. There is something in knowing what you have. Perhaps we are not using it as much as we should. However, I again bring up the point that we are busy and we can't make use of everything, but we know it is there. They are giving us advice and we get the minutes of their meetings, and so on. A large segment of our fruit growers do attend their meetings.

Senator Yuzyk: I would gather, then, if they were totally dissatisfied with the work of the association they would let you know in no uncertain way. Apparently it has been doing some good work, certainly enough to satisfy those who do not want to attend the meetings.

The Chairman: May I interject to say that we are pleased to have with us Mr. Rod Bailey, Chief of the Farm and Rural Development Division, Department of Agricul-

ture. He would have been here this morning but the letter that went to his ministry got lost in the papers and he did not hear about this meeting until late this morning. We welcome you here, Mr. Bailey. This is a very informal gathering and if you feel like asking a question yourself or making a comment, please feel very free to do so.

Senator Inman: I would like to ask Mrs. Inglis this. There is a marketing board for fruit growers in Nova Scotia?

Mrs. Inglis: No, there is not.

Senator Inman: Down the valley?

Mrs. Inglis: No.

Senator Inman: Since when?

Mrs. Inglis: Several years ago there was.

Senator Inman: I know there was. It is not operative now?

Mrs. Inglis: No.

Senator Yuzyk: I have only one other question in pursuing organization. Does Mr. Bailey deal with ARDA and the problems of ARDA?

Mr. Rod Bailey, Chief, Rural Development Services, Farm and Rural Development Division, Department of Agriculture: We do have a relationship with ARDA, but from a policy point of view that is DREE's responsibility now.

Senator Yuzyk: How about the other Nova Scotian organizations? Have you any relationship with them at all?

Mr. Bailey: You are speaking of the marketing boards?

Senator Yuzyk: Marketing boards and local bodies that they have, the Federation of Agriculture.

Mr. Bailey: The association would be an interest one rather than a built-in institutional one. Personally, I am not involved in any relationship with the marketing boards of Nova Scotia, and I am not aware that our department is, except from an interest point of view.

The Chairman: You would be developing some policies with respect to small farms?

Mr. Bailey: Yes, we are developing policies.

Senator Yuzyk: If it is with the small farmer, we would like to question you on what you are doing with the small farmer.

The Chairman: I am probably being admonished not to let the discussion range too far afield. I am reminded by Mr. Chambers that Mr. Bailey is not here as a witness and if he wants to act as a witness he is quite free to do so and we can make him a witness. However, I think we should keep in mind that we have a particular group of people here today who have come a long distance for a particular purpose. If we want to have Mr. Bailey on another occasion dealing with the small farmers, perhaps we can do so.

Senator Yuzyk: Could we get a general statement regarding policy, because it fits into our questioning here?

Mr. Bailey: Mr. Chairman and honourable senators, in terms of policy development, the Small Farm Development Program started out in 1972. It was composed of a land transfer plan and an exchange plan, where the provinces or the CDA worked with small farmers in counselling them, in a farm management sense. That is basically what the program contains.

As the Small Farms Development Program applies to the delegation that is here, I do not think our program has been so helpful to them. We have taken note of your program report by the committee as presented and we have recommended changes in the policy of the Small Farm Development Program to take into account the recommendations that you made and these are being considered by senior executives and the minister at the moment. Really that is as far as I can say.

Senator Yuzyk: I think this is important for us, because it is directly associated with the purposes of our meeting here. I know that we can question you at some other time.

The Chairman: The only thing to bear in mind is that we have people who came a long distance today for a specific purpose and if we spend our afternoon with Mr. Bailey we will not have time to hear them.

Senator Yuzyk: We could ask Mr. Bailey at another time.

The Chairman: He came as an observer today. He can make notes and we can question him. If he cares to come back with ideas or suggestions afterwards, we will be delighted to hear them. Thank you, Mr. Bailey.

Mr. Bailey: Thank you.

The Chairman: Mr. Christie has been trying to catch my eye.

Mr. Christie: Mr. Chairman and honourable senators, if I might ask a question relative to small farms from the specifics, and perhaps it could be changed to general later, I might put this question to the Nettletons, since it relates to sheep production: How profitable an enterprise at the present time is sheep production, for small farmers?

Dr. Nettleton: It is very difficult to be precise about it. I do not know what the cost is exactly. I keep my eye on my wife. She is the one who deals with that. I will try not to be too vague. In our own figuring, we will winter four ewes to a ton of hay and this year it would cost approximately \$10 per ewe for hay. We reckon to feed in the aggregate approximately 100 pounds of grain and that grain, whether it is barley, corn or oats, depends on the price structure and the time of the feeding. So, 100 pounds of whole grain would cost around \$7 to \$7.50. So \$17.50 is the feeding cost. As to health costs, I do not think they have escalated in proportion with the feed costs.

The Chairman: You do your own.

Dr. Nettleton: We would generally allocate \$2 for medication, vaccinations, deworming. What you allocate for fencing and land rent will depend on the land you are utilizing. So the cost per ewe is, I would say, in the region of \$20 to \$24 per year.

The interesting thing about the sheep—and this is one of the factors which is neglected, and which has made sheep a very satisfactory form of enterprise over the later years—is this. The ewe that was bought at \$15 three years ago can be sold as a breeding ewe at \$30 to \$35 today. In other words, unlike the beef cow, which has depreciated by about half in the last 12 months, the breeding ewe has

appreciated over the last few years. In terms of the product that we are keeping our sheep for, which is not the \$3 to \$5 worth of wool per ewe, the value of the lamb produced, if the ewe drops a single lamb—and I hope you are jotting these figures down and then you can come to your own answer to the question—is in the region of \$40 to \$45 gross. Then you deduct selling expenses. If there are twin lambs, it could be anything up to \$95 gross per ewe lamb. So your inputs are, shall we say, a round figure of \$25 and the sale from that ewe, perhaps \$3 to \$5 for wool and anywhere from \$40 up, even to \$100, for the lamb. These are the prices in Nova Scotia, not the prices adjacent to the high density Greek and Italian populations of Ottawa and Toronto.

The Chairman: What would that be per pound marketed?

Dr. Nettleton: In Nova Scotia the price per pound live weight has been hovering, until last week, between 40 cents and 55 cents a pound.

The Chairman: For 100 pound lambs?

Dr. Nettleton: No, I would say most lambs are marketed around 80 to 85 pounds live weight.

Senator Michaud: Can we assume that the same price would prevail on the New Brunswick market?

Dr. Nettleton: It should, but in actual fact the price in Truro has been higher than in New Brunswick. That is very interesting, considering that the ultimate destination of most of the market lamb is Montreal.

Senator Michaud: The same destination?

Dr. Nettleton: Yes. So the Montreal buyer is putting a pressure on the market to force the price of lamb upward, and the price in Nova Scotia has been higher.

Senator Michaud: What you are really saying now is that the lamb production in New Brunswick and the production in Nova Scotia are headed for the same destination, namely, Montreal?

Dr. Nettleton: Yes, and quite a large proportion of the Montreal market is providing a large measure of the competition which establishes the price of the commodity.

Senator Michaud: Yet you have a difference in the price?

Dr. Nettleton: That varies according to the volume of lambs offered. In Truro probably there is an average of 150 a week from July to this last week, which is not large considering the 2,000 to 3,000 lambs selling in Toronto. But it is sufficient to attract the buyers. It is sufficient to stimulate competition. This is a very important factor especially in reference to sheep. My wife's brief mentioned that most of the problems of sheep production, not only in Nova Scotia but I venture to suggest in eastern Canada, are related to under-production. In Nova Scotia a few years ago the average flock was 221/2 sheep. This was calculated on the basis of sheep marketed. I was astounded about seven years ago to find that in Ontario at the same time the average flock was around 35 sheep. In other words, with such a low volume, unless you can collect the lambs to be offered for sale together, it does not justify the buyer seeking them out on the farm.

Senator Yuzyk: Have you a market in the United States at all?

Dr. Nettleton: A certain market for breeding stock, but the volume is not terribly significant. In actual fact our market for lambs in Canada is well over the American price. The trend is from the United States into Canada.

Mr. Christie: Considering all those factors now, is the enterprise one which could occupy a greater place in the economy of small farmers or is it really the sort of enterprise which needs to be scaled up to a specialist level of operation?

Dr. Nettleton: My wife and I would feel here that it is unlikely that you will get large numbers of specialist sheep farms. It lends itself to be integrated with other lines of production, whether it is working on the railroad, poultry, blueberries or being a veterinarian. It lends itself to being a part of the contribution to the farm economy.

The Chairman: How many ewes would be the minimum number for a reasonable enterprise as part of a mixed farm?

Dr. Nettleton: Whenever I am recorded in a situation like this I try to avoid being accused of being a wealthy veterinarian who sort of lavishes money on a ewe farm. My wife and I handle it on a part-time basis. Being peculiar people, not playing bridge and not playing golf, we shear sheep and we tend the flock on a part-time basis in exactly the same way as a dairy farmer would want to keep 200 ewes so that he could supplementary income from them. For over 15 years the numbers have varied from 150 to a maximum of 450. On average it is from about 150 to 250 ewes which we keep on a part-time basis. It is very much a part-time basis effort. The pressure work is the month to six weeks at lambing time when the profit is either made or lost. There is high pressure then in our case in April and part of May. Being, as I say, a little peculiar, for the rest of the year I quite enjoy shearing my own sheep. It is good exercise for me. For the rest of the year it is a part-time occupation which we do enjoy indulging.

Mr. Christie: Are there any land use problems relative to sheep production in your part of the country? I mean conflicts of land use relative to the production of sheep.

Dr. Nettleton: May I suggest that you are verging on falling into the common trap of talking in terms of "sheep production," as a generalization. In other words, everything that has wool on its back and bleats is a sheep, and one sheep is the same as another. That is a fallacy. There are many types of sheep and of sheep production. There are as many as there are types of land farm enterprises. My feeling is that the simplest form of sheep production is that which utilizes the lower grade agricultural land and is the type of enterprise which does not compete with the dairy or with the grain farmer but is complementary to beef. That type of sheep husbandry is relatively easy to manage because you are keeping sheep under natural conditions.

I will not hesitate to speak here my own opinion, namely, that one of the greatest problems besetting the Canadian sheep farmer in recent years has been the publicity given to intensive sheep production and controlled environment management. The sheep is a natural animal. We are relatively overproduced at a certain season, September, October, but it would seem to me that there has never been any season in recent years when in actual fact the production of lambs in August, September and October has exceeded the demand. Therefore, I feel that a natural method of sheep husbandry, utilizing old farms or derelict

farms so as not to compete with other forms of agriculture, could lend or contribute greatly to the rural economy.

One important factor, a theme which has been brought up in several of the questions today, would be not put land back into use but to keep land from falling out of use. This is so because the sheep will control the encroachment of shrub spruce and alders. I think this is a most important factor which could well be noted.

Mr. Christie: It was not so much the possible competition from other agricultural uses but another type of land use that I was referring to. In other words, is there any competition for recreational use or other uses which you run into the sheep enterprise?

Dr. Nettleton: There is a certain amount of competition on a recreational basis. It seems that in the public eye it is much more important for the picnicker to be able to allow his dog to run free and chase the sheep, if they are there, than it is for restrictions to be placed on the holiday-maker and picnicker to keep the dog under control, when utilizing this type of land for recreational purposes. I think perhaps the recreational people have a greater lobby than the sheep farmer.

Mr. Christie: So there is land that is really becoming inaccessible for sheep production because it is being lost to recreational areas? And that would be land which would be quite adaptable to certain farm uses?

Dr. Nettleton: I think there is probably a lot of land in Nova Scotia which is perhaps approaching the stage of being out of reach of development for sheep husbandry because of competition with parks and campgrounds and so on.

Mr. Christie: That is all I have, Mr. Chairman.

The Chairman: Thank you very much, Mr. Christie. Do you have any questions, Mr. Chambers?

Mr. Chambers: Mr. Chairman, I am interested in the whole area of land use which we have been discussing. I believe Mr. Morehouse earlier today suggested that in Kings County the government had brought 1,000 acres back into production, or had brought that acreage into production for the first time. If I understood him correctly, however, at the same time 1,000 acres of what was better quality land went into urban use. I was wondering whether we could have some amplication on whether it was a wider problem than just Kings County and the 2,000 acres involved there. Could we have some of the opinions of the various witnesses on that?

Mr. Morehouse: There are a number of pressures on rural land. One is housing; another major pressure is highway development, which is taking land out of agricultural use. Of course, opinions vary as to whether there should be restrictions on land use, and I am sure the people who are here in the delegation have their own ideas on this. The fact that land must be kept in agriculture may put a burden on those farmers who have the sale of that land as their only income. Therefore, should we restrict them so that the land does not go to the highest bidder, and therefore produce the income for their retirement? These pressures extend across Nova Scotia, I would say, and the extent would depend, problably, on whether or not the areas that have the problem are considered to be prime agricultural areas, and the amount of our best land, class 2 and 3, that is going out of production.

Senator Inman: We have the same problem in Prince Edward Island.

Mr. Chambers: This morning one of the farmers said that he was of the opinion that if valuable farm land was bought out, the farmer could always move farther off, with the urban sprawl. How limited, or how extensive, is the current use of, say, class 2 and 3 land in Nova Scotia, and how fast, if you know, is it being absorbed by these alternate uses?

Mr. Morehouse: I do not think I have any statistics that would support any arguments I might have concerning this. The agrologists' brief that I referred to earlier mentions 2.2 million acres of land available in Nova Scotia for agricultural production. Of this amount we have approximately 386,000 acres in production at the moment. There is therefore a great area for development, if you want to put it this way. There is land available for production now. Whether this land is in the right place or not is another question, and this is the question that I think the commercial farmer who is faced with urban sprawl has to answer. I suppose it depends on his stage of life—whether he is close to retirement or not, in which case he may want to get out of the industry. If he is not, then the problem is quite extensive, but I do not believe this is a real problem in Nova Scotia.

It may be that the farmer will be looking at some other area in which to develop a unit; but of course, this is very costly. I am sure that those who are here attending the meeting may have some first-hand experience in this respect, and may want to comment. I know that Mr. Lorraine, as warden of the municipality of Colchester, is certainly exposed to this. He is involved with planning and advisory committees, both joint and county-wide, so I know that he in particular has been exposed to the problem.

Mr. Chambers: Are there any particular areas in the province that appear to be in greater danger than others? I am thinking of the Annapolis Valley, for example. We know that in Ontario there is considerable concern over the Niagara fruit belt being paved over in the next decade. Are there any particularly important pressure points at the moment in Nova Scotia?

Mr. Morehouse: The two major areas of activity, as far as planning groups are concerned, are the Annapolis Valley and the Colchester area. I think these groups have developed, and the industry has developed, because of the pressures in those areas on agricultural land in particular.

Mr. Chambers: Would there be any other comments on these comments from other commentators?

Senator Norrie: We had a cabinet meeting down in Middleton last year on whether Highway No. 101 should go north or south of North Mountain or South Mountain, or be moved from where it is through the more populated area of the Annapolis Valley. The south route was plotted out by Mr. Hilchie of the Department of Agriculture and of the Agricultural College, to go through an area that is less fertile than the north area, and is more scenic; but it was opposed by all the restaurant owners and all the tourist motel operators. As a result, it is at a standstill right now. They are developing the road from Bear River up to Annapolis, so we are avoiding controversy at the moment.

At the last annual meeting nobody was asking anything about agriculture or land use so I, in my big mouth way,

asked them if they had any policy with regard to land use. The reply I got was from Mr. Leonard Pace, who apparently is concerned with land use. He was very pointed in his remarks about Highway 101 to me. He said they were very very careful not to encroach on any agricultural land that they could avoid, and that anybody could verify the fact that they had not done any damage so far.

I may be wrong, but I question the fact that they should have gone from Kentville to Berwick over the land they did. With regard to the Cornwallis Valley, I do not think there is very much unprofitable land there, so I asked Mr. Pace if he would send me the book on land use policy when it was finished. He suggested it would be finished in a few days. I have not seen a copy yet, but maybe the printers are a little slow. That is all I have to say.

Mrs. Inglis: May I raise a question there with regard to how things inter-react, and so on? There was a committee set up, and 101 was laid out to go through a large agricultural area. On the south side, where they were also thinking of putting it, there is farm land, there are farmers, there is unused land and also land being used. I mentioned today the farmers who do not speak out. There is a large majority of farmers on the south side where they are thinking about putting the highway that are not speaking out as to the value of their land. I can say that in our particular case we live on the south side, where the highway would go through valuable timber land and make it inconvenient for my husband; but also it would go through pasture land where our ancestors, 70 years ago were raising a lot of cattle and, of course, as I say, sheep could be raised there as well. The point is, do we value this land enough to try and prevent it from going under asphalt?

There is also much feeling in the valley with regard to environment, and though I would not want to get into that now, I must ask, do we actually need this road in the valley? Where I live there are two highways running parallel to the river; Highway No. 1 and Highway 1A. It seems to me that our Highway No. 1 was changed to 201 last year, and this has hit a lot of farmers in that area who have roadside fruits stands. Once they changed it from 1 to 201 I guess our tourist business dropped by one-half. This is taking the initiative out of these farmers, I know, because I have talked with these particular people, and out of other business people as well. I am referring not only to the farmers, but also to the restaurant owners in this area. Perhaps the officials never even thought of this when they changed the number from 1 to 201, but it did hurt us farmers, and it hurt the residents in the area. Perhaps we are not close enough to the people that make these decisions. That is the point I would like to bring up.

The Chairman: On the question of bringing land into agricultural production, I am just wondering if you would care, Mr. Morehouse, to make some comment on the quantity of land that might possibly be used in this way, and what costs would be entailed. Do you have to clear out trees? What is the physical work that has to be done to bring it into production? What might the cost be? Is there a good potential for agricultural acreage in Nova Scotia?

Mr. Morehouse: There is a lot of land that can be reclaimed, so-called, that has gone out of production. I am not 100 per cent sure of my figures, but I indicated 386,000 under production now, and this has dropped. This is about half the acreage we had about 30 years ago. So this land, theoretically, would be fairly easy to reclaim. The costs of breaking land out of bush in Nova Scotia—and here I am

referring to virgin land that has never seen a plough or has never received any fertilizer-varies considerably, depending upon the type of soil, the type of growth, and the methods used by the contractor or operator to break this land. The pretty gnenral figure we use is \$250 an acre. So that farmers who are making use of the land improvement policy which subsidizes this cost by 50 per cent, where it is logical for them to do so and where it is an economic problem fo them, work it out that if it is not possible for them to buy land at \$250 within a reasonable distance from their farm, then it pays them to break new land. I am not sure of the number of acres being broken each year, but I mention the figures from my county, and this thousand acres for King,s County would be approximately one-quarter to one-third of the total broken in the province in 1973 under our policy.

The Chairman: What about the acreage in Kent County where the land has been abandoned and the forest has started to come in and the trees are starting to grow—what would be the cost of turning that back to agriculture?

Mr. Morehouse: Our minimum cost in bringing such land to cropping would be about \$100 an acre and our maximum cost would be running up to \$600 an acre.

Senator McGrand: For any crop?

Mr. Morehouse: For any crop.

Mr. Chambers: Are there any government subsidies or grants involved in the clearing process?

Mr. Morehouse: Fifty per cent of the cost of clearing—the use of heavy machinery, rock-pickers, for instance and the initial applications of limestone and fertilizer—50 per cent of the cost is covered by the provincial government, and this is cost-sharing under the ARDA/DREE agreement.

Senator McGrand: You have spoken of breaking up new land, but are you referring to breaking up virgin land, never farmed, or bringing back into production land that was farmed and that grew into bush?

Mr. Morehouse: Farmers are doing both.

Senator McGrand: Because I was wondering about the acres of abandoned land; that is, land that was cleared at one time and is now abandoned. There is an enormous acreage of this in New Brunswick and Nova Scotia. So where is the need for breaking up forest land that never was used before for agriculture?

Mr. Morehouse: The forest land that is being broken is adjacent to our commercial farms. The abandoned land is too far away and it is in the wrong place.

The Chairman: Well, we have had a very good discussion, and I am not trying to close if off, but I might say to the witnesses that if there is any one of you who has something that you want urgently to get on the record, just go ahead and say it. If you have some points you have been nursing along and that you wished you had been able to make an hour ago, now is your opportunity to do so.

Senator McGrand: What about the production of milk in Nova Scotia? Is it falling off? I have a copy here of yesterday's Chronicle Herald, where it says that milk production is falling off. I understand that in one of our larger communities in New Brunswick they are now bringing in milk from outside the province because of lack of production within the province. Is that true also of Nova Scotia?

Mr. Brown: I think it is.

Senator McGrand: Where is it coming from?

Mr. Brown: I think some is coming from Prince Edward Island.

Senator McGrand: I understood the milk in the New Brunswick situation was coming from the Quebec area, somewhere near Montreal.

Mr. Brown: Well, senator, I could not speak for New Brunswick.

Senator McGrand: But I am asking about Nova Scotia.

Mr. Brown: I am pretty sure it is coming from Prince Edward Island at this time of the year and I think that is a statement of fact in the newspapers that production is falling off.

Senator Inman: Is there any reason for that?

Mr. Brown: Yes, the return is not great enough. There is no profit.

Senator Inman: In other words, it simply is not paying the farmer.

Mr. Brown: That is right.

The Chairman: What is the price for fluid milk now to the consumer?

Mr. Brown: It is 50 cents a quart, and it will be 52 cents from January 1.

Senator Michaud: I would like to say that if you ever reach the stage where the province as a whole is not self-sufficient in milk production, then, although I am reluctant to say it, I do not think you can rely on your neighbour province of New Brunswick. I say that because I know the same situation prevails in New Brunswick as prevails in Nova Scotia, our milk production is going down and we are beginning to worry also about our milk supply in years to come.

Senator Inman: Then the Prince Edward Islanders must be making a profit.

Senator Michaud: Yes, I think Prince Edward Island must be making all the money these days!

Mr. Chambers: Mr. Chairman, I would like to revert to the question of credit which we dealt with vaguely this morning. Aside from the question of cost, are there any problems as to the availability of credit? There is obviously the Farm Credit Corporation as a source of loans, but are there any provincial sources of loans? And what has been the availability of farm improvement loans?

Mr. Lorraine: In answer to your question, yes, we do have credit through our Nova Scotia Farm Loan Board. I do not think we are too badly off for credit, but here I am speaking for myself because I have never had any trouble getting credit through the Farm Loan Board or through the bank with which I deal. But there are other farmers who may be limited as to credit in this way that possibly a farmer may buy a farm unit—and here I am talking about a new farmer coming into being—that may cost in the vicinity of \$100,000, and I think that is the cut-off point or the maximum that the Nova Scotia Farm Loan Board will go to. As you all know, the first year or two is when you

Agriculture

have your growing pains, that is when you need your credit and that is where it is lacking, and the cost of that credit is a problem. I was asked to take part in a panel discussion at Windsor some nine or ten months ago on how to increase beef feed lot operations in the province of Nova Scotia, and at that time I felt that we had ample credit through our Nova Scotia Farm Loan Board to acquire the land and the buildings. But at that time-you know what the price of feeder calves was in 1973 and that is what I was basing my statement on. We had put 400 head into our own feed lots, and the average was about \$300 a head, making a total of \$120,000. The bank interest at that time, I think was approximately 9-1/2 or 9-3/4 per cent. This is where I say, and I said this morning, that I feel we should have some assistance on the cost of this money, which is really what was killing me. I am sure, Mr. Chairman, you will agree that the way the market turned out and the cost of that credit put us in a real bind.

I would like to continue a little, while I am here, on land use planning. We in the county of Colchester, about last March, had a plan presented to us by the joint planning advisory committee, which is a committee established from the town of Truro, the village commission of Bible Hill and the county of Colchester to set up a sort of development control plan so that we could control planning within the three sponsoring bodies. With respect to planning of farm land their suggestion was that we take No. 1, 2, 3 and 4 land and re-zone it for agricultural purposes only. Well, at the present time the land lying within a 15 to 20-mile radius of Truro is worth so much more for development and housing purposes than for agricultural use that I objected very strongly in this regard until we had some sort of plan with the provincial government, cost-shared with the federal government. It was proposed that this would result in the appointment of a land banking board, or body with some other title. Finally we had a paragraph added to provide that the first offer of refusal must go to that development board. In other words, I am saying that there are a heck of a lot of farmers in the province of Nova Scotia, at least, who when they get in a financial bind can sell a building off for a couple of thousand dollars and get themselves out of that bind for the time being. I do not see why, if that land is worth \$100,000 for development purposes, it should have to sell for maybe \$40,000 or \$50,000 for agricultural purposes. If it were zoned for agricultural use only, that is what the farmer would have to do. So if the chance for that to be offered to a land banking board, or whatever you may term it, existed and they saw fit to purchase it, they must then compensate the farmer for the difference in that land value the first time only. Following that, the land reverts and can be held in agriculture from then on and ever after. We finally adopted that plan a week ago last Thursday night.

Senator McGrand: In New Brunswick and Nova Scotia our governments, past and present, invested millions of dollars in heavy industry in order to coax it into the provinces for the purpose of providing jobs. Unfortunately, some of these industries went broke and ceased to exist. Do you think that had that amount of money which was invested to coax in outside industry been invested on a well-organized land use policy to improve agriculture, forestry and farm woodlots, the economy would be better off today?

Mr. Lorraine: I suspect that it would be, but I do not have statistics to prove it. I really think it would be better and we would employ more people, because when one

person is employed in agriculture or forestry the spinoff is generally four or five times one.

Senator McGrand: It recycles?

Mr. Lorraine: Yes. I have one other point. Maybe it is not the place to bring it up, but possibly it is, as we have a Department of Agriculture representative here. Occasionally a packing company in the State of Maine picks up a load of calves at our weekly sale at Truro. Usually it is 5, 6 or 7 o'clock at night before the sales are through. We must have a representative of the federal Health of Animals Branch come out, take a look at these cattle and give us a health certificate, which I say is worth nothing. Neverthless, this is the requirement before shipping them across the border. Two weeks ago I called the Health of Animals Branch and asked their man to come out, which he did. It was 7.30 or so in the evening before he arrived, which was outside his working hours. I was informed that we must issue a cheque to the Receiver General of Canada for \$40 for that man's time, his charge for overtime being \$40 for an hour. Now, if this is the way we are going to help agriculture, I say we had better start taking a look at some of these kinds of things. That is only one minor point.

Just recently it was drawn to my attention that there has been a fair amount of what I assume would be called breeding stock imported from the West to Eastern Canada, quite a few of which come to the Truro area. These cattle were blood-tested in Manitoba. When they arrived at Truro, we were informed that they had to be blood-tested again. It was suggested to the representative of the federal Health of Animals Branch that they make a telephone call to Manitoba and determine if the cattle had been blood-tested and why should we have to go through all this again. They could not spend money on the phone call but could send four or five men to re-test those cattle. Now, does this make common sense? Maybe I am being critical, but in my opinion some of these matters should be brought out.

Mr. Chambers: Are there any other comments with regard to the availability of credit?

 $\mathbf{Mr.}$ $\mathbf{Brown:}$ Speaking personally, I think the credit is available.

The Chairman: But at a higher interest rate at the banks.

Mr. Brown: Oh, yes, but with the farm improvement loans my bank manager has been very co-operative.

The Chairman: At 9-34 per cent now.

Mr. Brown: Not the farm improvement loans.

The Chairman: I think that is correct now.

Mr. Brown: Of course, I have not had one for over a year.

The Chairman: I believe it is 9 plus.

Mr. Lorraine: Mr. Chairman, again speaking for myself and not with reference to a farm improvement loan, I needed temporary financing. Two weeks ago I borrowed \$20,000 at the bank with which I deal, where I get a special rate because I am supposed to be on a prime rate basis and I paid 11- $^{3}4$ per cent interest for that two weeks ago.

The Chairman: It was not a farm improvement loan?

Mr. Lorraine: No, it was just a straight term loan.

The Chairman: I believe you will find that the farm improvement loan is now at more than 9 per cent. It is adjusted every six months, and the next one might be down a fraction.

I am not a witness, but I would think that those who have said that there is a modest interest rate on long-term credit, but a very high interest rate on short-term credit, are right. I do not know what the answer is, but perhaps the Farm Credit Corporation itself should become more involved in short-term credit, or perhaps there should be additional action through the banks to provide short-term credit at more reasonable rates. However, in my opinion it is fair to say that sometimes over a long period long-term mortgage credit is available for what we would all consider to be a fairly reasonable rate, and short-term credit is at high interest rates.

Mr. Lorraine: Mr. Chairman, I have a small mortgage with the Nova Scotia farm loan agency. I might add that although there were grants available I could not get one unless I had my property mortgaged. The mortgage is at 7-¾ per cent interest. In the province of Nova Scotia we have an interest rebate subsidy of 2-½ per cent, which makes it 5-¼ per cent. But when I was asked to go on this panel in regard to expanding feedlot operations, I cannot see for the life of me why this same type of loan cannot apply to the guy who is going to buy \$100 worth of cattle and put it into feedlot. Why cannot we have it apply to cattle as well as to land?

The Chairman: Because there is conflict between the Department of Agriculture and the Department of Finance.

Mr. Cox: Generally speaking, in regard to borrowing money, I do not think the problem is one of availability. It is more the concern of the farmer that the feedlot has to be paid back, and can they make enough profit from their farming operation to pay this back? They are reluctant to borrow for this reason.

Mr. Chambers: There is one other thing. I believe Mrs. Nettleton, in her comment on the sheep industry, outlined in boldfaced type the question of truth in marketing information. I wonder whether she would be interested in expanding on that a little more?

Mrs. Nettleton: This could be a very involved discussion. Having been involved in actual sale buying, I realize the importance of accurate information. I realize how misleading information can be when it is quoted as statistics. We get a market price report which says, "lambs on the Toronto market to 89 cents per pound." That sounds great. But if it is only one pen of lambs gone to 89 cents, it is not really very significant. It means that the Nova Scotia sheep producer starts talking and says, "Why don't we ship our lambs to Toronto? They pay 89 cents there."

I think we have come one step forward in Nova Scotia in preparing a market report that farmers can understand. We are working on it. I think it is coming.

May I say one thing on credit, a cautionary note? If we make it too easy, if we give away too much, we encourage inefficiency too we are propping up the inefficient operator at the same time as we are helping the other farmer, which is depressing our market too. It is something that we should be careful of it knowing where we are going.

Senator Michaud: I hope my point is not out of order. I think it is safe to say in a general way that farming

conditions are the same in Nova Scotia as they are in New Brunswick. They are small farmers, and the like, and the markets are the same distance away. We have been quoting articles from a Halifax newspaper. I would like to quote from a New Brunswick newspaper. It is from the *Telegraph Journal* of the same date as the Halifax paper. The title of the article reads:

Can New Brunswick Lure Its Young Back to the Farms?

The article ends up by saying:

Read the Johnson report and you will realize that New Brunswick land has an amazing potential. Look at what our grandparents did back in the 1890s. What they did can be done again. All we need to do is to redirect our priorities.

I would be very interested in knowing what that Johnson report is about. I have read the article and it does not explain it. Perhaps it was explained in the previous article. This is the second one on the same topic. My learned friend on the left, Senator McGrand, tells me that he can explain what the Johnson report is all about. I would appreciate it if he would do so.

Senator McGrand: It happened that in New Brunswick in 1848 and 1849, some time before Confederation, people were brought from the old country. The question at that time was what was New Brunswick's potential for farming?

The New Brunswick or the British government sent this man Johnson, who was in those days an agricultural authority, a geologist. He spent a couple of years surveying land in New Brunswick and determining its agricultural potential. He made two reports, a preliminary report and a final one. His final report was to the effect that New Brunswick had an agricultural capacity to feed six million people. That was, of course, determined on the standard of nutrition, and so on, existing at that time in Britain and European countries. That is what the Johnson report was all about.

The Chairman: And they are still talking about it. They are still referring to it. Are there any further comments or questions?

Mr. Lorraine: I would suggest, Mr. Chairman, that the Johnson report is similar to our grain report in Nova Scotia. It took three years to draw up this report. It has taken 100 years to talk about the Johnson report, and probably the same thing will happen with the grain report of the province of Nova Scotia.

The Chairman: We put in a preliminary report, much of which will soon be the law of the country.

Mr. Christie: I have one question arising out of Mrs. Nettleton's report this morning. She announced that under certain conditions a small farmer may raise replacement heifers more efficiently than the large dairy farmer, and similar possibilities existed for the small beef herd. Would she care to add any further comment?

Mrs. Nettleton: Do you wish clarification on that point, Mr. Chairman?

The Chairman: That is the idea.

Mrs. Nettleton: It is my feeling that Nova Scotia—when I say Nova Scotia, I am really thinking more of Cape Breton and the small part-time farmer, and I am not taking

into account the good production land in Nova Scotia and down the valley. In the Cape Breton area we have an influx of people who are going back to the land, using the land because that is what they want to do or because it is an encouragement, as in the DEVCO sheep project, to make use of that land.

Some of the older farmers are better stock men. They have more time to devote to the rearing of their stock than has the big commercial producer. If you have a dairy farmer and he is producing milk, should he be giving his time to producing his own replacement heifers? Would it not be better to give someone that job, make use of someone else to rear those heifers for him? If Mr. Lorraine is feeding cattle in the province, someone has to raise the feeders for him so he can make use of his own productive land to produce corn for his silage, and let the replacement heifers, beef or dairy, be produced on the poorer land and thus make use of that land. I tend to think of the Cape Breton area more as involving people. I am thinking that we should be putting some money into people rather than spending it on some industry.

Mr. Christie: One further question, Mr. Chairman. What contribution is DEVCO making to farm enterprises in Cape Breton, whether sheep farming or other?

Mrs. Nettleton: Mr. Chairman, I am really not well qualified to speak on this. I do not know the actual details. I do know that at one meeting of sheep producers which I attended in Cape Breton, there were close to 100 people in attendance. It is seldom that they get less than 60 farmers to a meeting in Cape Breton—and these are interested people who, at one time, had been apathetic. That in itself is, I think, a great contribution on the part of DEVCO.

They are talking at the moment of becoming involved in the importation of stock into Cape Breton Island. Whether this will come about or not is another matter. They also have other good projects under way. What they are doing, in effect, is guaranteeing the farmers of Cape Breton an income, because they are guaranteeing them a price for their end products. In actual fact, in most cases, the price of land has exceeded the floor price put on by DEVCO, so it has not been all that significant. However, had the price of land dropped, as was the case with the price of beef, then DEVCO would have helped these people out quite considerably.

Mr. Christie: In reference to these other enterprises mentioned in your brief, such as the raising of replacement heifers and cattle for the feed lots, would they also have to be subsidized programs in that part of the country, or could such ventures make it without subsidization?

Mrs. Nettleton: That is a rather loaded question. I have second thoughts about subsidized programs. Again, it gets

back to acreage. In this area the farms are very small. We, personally, travelled throughout Cape Breton Island in search of a piece of land sufficient to support what we thought would be a small family farm. In most cases they were offering 50 acres clear with 250 acres bush. We were fortunate to find a farm with 150 acres clear, but only after a lot of searching.

The initial price of the land is the smallest part of your investment. If one was to go into corn, or something of that nature, as opposed to other low-cost products, then the investment would double, at least. Much more would be required inthe way of machinery, which is not covered by this low rate of interest.

It seems unreasonable to talk in terms of large farms or to suggest to these farmers that they grow such and such a crop, or enlarge their operations, bearing in mind that if such a course is followed that individual will have to pay a high rate of interest on the machinery he requires to keep his operation going. It is for that reason that I talk about low cost production. That is why I appreciate the efforts which DEVCO has put into farming in Cape Breton. It is not involving itself in fantastic schemes involving a lot of money and amounting to nothing more than monuments. Instead, it is concentrating on helping people. I am not saying these programs would apply to all of Nova Scotia. I am speaking of one area, which I was asked to speak on.

The Chairman: If there are no other comments, I want to say to our witnesses, on behalf of all members of the committee, how delighted we are to have had the opportunity of hearing your views today. Your contributions have been most informative and, I should think, important to the development of agricultural policies, not only for the province of Nova Scotia, but for all of Canada.

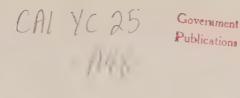
Once again, I want to thank Senator Norrie for having initiated this meeting. I think both our research people and members of the committee will find the views of this group of witnesses most informative.

Mr. Lorraine: Mr. Chairman, on behalf of the farmers of Nova Scotia, I want to thank you for giving us this opportunity to voice our views before this committee. While I am on my feet, I should like to extend an invitation to you and members of your committee to come to Nova Scotia, particularly Colchester County. I come from Colchester County, and I think it is one of the best.

The Chairman: Thank you, Mr. Lorraine. Before we adjourn, I want to inform the members of the committee that the meeting scheduled for tomorrow morning has been cancelled. Those individuals who were to appear tomorrow will, instead, submit a written submission to the committee.

The committee adjourned.







FIRST SESSION—THIRTIETH PARLIAMENT 1974

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 7

TUESDAY, DECEMBER 10, 1974

Fourth Proceedings on Bill S-10, intituled:

"An Act to amend the Feeds Act"

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman.

The Honourable Hervé J. Michaud,

Deputy Chairman.

The Honourable Senators:

McElman Argue McGrand Benidickson McNamara Blois Côté Michaud *Flynn Molgat Fournier Norrie *Perrault Haig Sparrow Hays Welch Inman Williams Lafond Yuzyk—(20) Laing

(Quorum 5)

^{*}Ex officio member

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 23rd, 1974.

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Argue, seconded by the Honourable Senator Heath, for the second reading of the Bill S-10, intituled: "An Act to amend the Feeds Act".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Argue moved, seconded by the Honourable Senator Forsey, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate

Minutes of Proceedings

Tuesday, December 10, 1974.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 9.30 a.m. to resume consideration of Bill S-10, intituled: "An Act to amend the Feeds Act".

Present: The Honourable Senators Argue (Chairman), Blois, Inman, McNamara and Michaud. (5)

Present but not of the Committee: The Honourable Senator Greene.

In attendance: Mr. E. R. Hopkins, Law Clerk and Parliamentary Counsel; Mr. Albert F. Chambers, Research Assistant to the Committee.

The following witnesses were heard:

Department of Justice:

Mr. J. A. Scollin,
Assistant Deputy Attorney General,
(Criminal Law);
Mr. W. G. Johnson,
Legislation Section.

On Motion of the Honourable Senator Inman, it was Resolved that a Submission received from the Pet Food Manufacturers Association of Canada be printed as Appendix "A" to these proceedings.

At 10.45 a.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, December 10, 1974

The Standing Senate Committee on Agriculture, to which was referred Bill S-10, to amend the Feeds Act, met this day at 9.30 a.m. to give further consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, I see a quorum. We were hoping that Senator Greene would be able to attend since he himself raised th matter under discussion this morning. However, he has not been able to be here, at least up to this time.

We have as our main witness this morning Mr. J.A. Scollin, Assistant Deputy Attorney General (Criminal Law), of the Department of Justice. With his is Mr. W. Gilbert Johnson, Legal Counsel, Department of Justice, who has been with us before. Also here is Mr. Alan McBride, an observer from the Feeds Unit, Plant Products Division of the Department of Agriculture.

The meeting stems from the criticism led by Senator Greene against what he felt was a failure in the act to make officials of companies themselves personally guilty if in fact a corporation is found guilty of having committed an offence under this act. He also pointed out that the penalties—a \$500 maximum fine on summary conviction and a fine of \$2,000 for an indictable offence—were so small as to be almost insignificant, and to have no practical value in preventing or discouraging a corporation from committing an offence.

After some discussion with the department, we have received a suggested amendment from Mr. Johnson which, if we were to adopt it, as I understand it—and I am no lawyer—would make it possible, when a company has been found guilty of an indictable offence, for the presiding judge to levy any penalty he wished. That would mean there would be an open-ended penalty and, as somebody said, it could be up to a million dollars if that were warranted. That would be some strengthening of this provision.

Mr. Scollin, as you know better than I do, after some research it has been found that in the Combines Investigation Act, the Canadian Wheat Board Act, and in a recent bill before the House of Commons dealing with energy matters, there are clauses which make officials of companies found guilty of an offense also liable themselves personally to conviction.

Senator Greene is not here, but we would like you, you to comment on this subject. Are you in a position to help the committee strengthen this bill along the lines of the other bills referred to. We would ask you to make any statement you wish at this time.

Mr. J. A. Scollin, Assistant Deputy Attorney General (criminal law), Department of Justice: Mr. Chairman,

honourable senators; in so far as concerns the question of varying the fine to suit the offence and the offender, a draft clause which was submitted by Mr. Johnson would, I think, adequately do that. The proposed amendment would

Every corporation that contravenes any provision of this act or the regulations is guilty of an indictable offence.

The result would be that a fine appropriate to the offence and the offender could be imposed by the court. Under section 658 of the Criminal Code, it is provided:

Every one who is convicted of an indictable offence for which no punishment is specially provided is liable to imprisonment for five years.

Section 647 of the Criminal Code provides that "a corporation that is convicted of an offence is liable, in lieu of any imprisonment that is prescribed as punishment for that offence," in the case of an indictable offence, as this would be, to be fined under paragraph (a), "an amount that is in the discretion of the court, where the offence is an indictable offence."

So there is a discretionary fine that can be adjusted to the type of operation with which you are dealing, to the type of offence and to the type of offender. Accordingly, unless there is some other reason that may appeal to the committee for not adopting the type of amendment that has been proposed to clause 3, I would suggest that this would adequately take care of the fine in the case of a corporation.

So far as the liability of officers, agents, and directors is concerned there are precedents—the Income Tax Act, the Combines Investigation Act and various other acts—which do provide expressly for liability on the part of officers or agents and directors; but I would be inclined to suggest to the committee that the general provisions of section 21 of the Criminal Code are in themselves adequate. Section 21 of the Criminal Code provides, in subsection (1), that:

- 21.(1) Every one is a party to an offence who
- (a) actually commits it,
- (b) does or omits to do anything for the purpose of aiding any person to commit it, or
- (c) abets any person in committing it.

The Chairman: What would be the disadvantage of making it more specific?

Mr. Scollin: There would be no disadvantage.

The Chairman: I am just a farmer, but it is my opinion that if a judge were looking at this act without a specific provision in it, he might conclude, or it could be argued, that a specific provision in an act is what parliament in

ordinary circumstances means the court to impose, so that, although it is in the Criminal Code, there would have to be some special circumstances, some blatant misdemeanour under the act, in order to incline the judge to go to the general provisions of the act. On the other hand, if it is specifically provided, then in dealing with this situation the individual is himself, personally, guilty. In other words, the judge might consider the person personally guilty if the provision were included, although at a particular time he might not wish to take it into consideration the general provisions of the Code. In other words, it is stronger when it is mentioned than when it is not.

Mr. Scollin: Certainly, it draws attention to the fact that persons who aid or acquiesce or abet are guilty. But, notwithstanding the fact that other statutes contain such provisions, I disagree with the necessity of inserting them.

You see, section 27 of the Interpretation Act, which is familiar to lawyers, is the standard section which applies the Criminal Code to all federal offences. By virtue of section 27 of the Interpretation Act section 21 of the Criminal Code is imported. Therefore, a specific provision, to my mind, is unnecessary and tends, over the long haul, to induce the courts to feel that unless there is a specific provision put in, importing liability on those who take part in the offence, then provisions such as the proposed amendment here import only corporate liability.

To my mind section 21 is absolutely adequate to deal with all participants in any offence, and—notwithstanding the Combines Investigation Act the Income Tax Act and the other acts which have gone out of the way to make specific provisions—in principle I feel that one ought to rely on the general provision of the Criminal Code, section 21, which says that if you take part in an offence you involve yourself in it, and whether it is an offence by another individual or by a corporation you are also criminally liable.

On the other hand, if the committee were disposed to be specific, then I think an amendment could be drafted along the lines of the provision in the Income Tax Act, where it says, in effect, that any officer, director or agent or other person who participates in, acquiesces in, and so on, in the offence is himself guilty of an offence.

There is no harm putting it in, but, in principle, I would prefer to rely on the general provision of the criminal law.

Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel: How did those provisions get into these other acts, particularly into the energy bill recently introduced in the Commons.

Mr. Scollin: I am sorry, but I cannot explain why they got in. I think they are unnecessary. A chap who participates in an offence is, by law, by section 21, guilty of it. In the case of the Income Tax Act there is perhaps a slight extension of the sort of general liability, where it provides that if he acquiesces in offence he is guilty. If the corporation commits an offence and he acquiesces, he is guilty. But short of that minor modification, I would prefer to rely on the ordinary doctrine of participation, aiding and abetting, which is enunciated in section 21 of the Code.

Mr. Hopkins: Would you suggest that when we receive the energy bill we should strike it out?

Mr. Scollin: Do you have the energy bill before you?

The Chairman: Yes, here is the bill.

Mr. Scollin: This is similar to the provision in the Income Tax Act. Possibly the only extension to section 21 liability is founded in the term "acquiesced in." It is arguable that "acquiescence in" is perhaps broader than the section 21 liability.

Mr. Hopkins: Would you suggest that language such as we find in the energy bill would still require mens rea—a guilty mind? I am referring to the word "acquiesce"?

Mr. Scollin: If the principal offence requires mens rea, then the participant would also require mens rea; but as I say, aside from these words, "acquiesced in," all the rest of it simply amounts to section 21 liability. An officer, director or agent who directed is obviously guilty. One who authorized is obviously guilty. One who participated in is obviously guilty. The only possible extention is "acquiesced in". I am really not here to defend what they are doing in these other acts, but I do think that perhaps Senator Argue has a point in that it is made perfectly and utterly clear within the confines of that act that these persons are liable; as I say, however, in principle I think it is unnecessary.

The Chairman: Senator McNamara has experience with the Canadian Wheat Board, and the Wheat Board Act.

Senator McNamara: It is well know that I am no authority on the law, but I do remember this problem coming up with regard to the Canadian Wheat Board Act when it was being amended from time to time. The problem there—and I think this is what Senator Greene had in mind—was that, as you probably know, the Wheat Board administered quotas, and had local control. The idea was to prevent the officers of the elevator companies and the corporations taking the position, "Well, the agent did that, and we did not know he did it. Let us go after the agent. We will pay his fine." The corporation was not involved, they did not acquiesce, or they paid no attention to it.

From now on, under the section of the Criminal Code that you have just quoted, if, for example, a pet food manufacturer, or one of these local distributors or agents, violated the new act, would the corporation be responsible, or could they wash their hands of it and say, "This local out at Moose Jaw did this without our knowledge. We do not approve of it, but he just did it, and we are scot-free"?

Mr. Scollin: Well, Senator McNamara, if I may say so, that is the reverse of the situation I am here to deal with. What you are talking about here is definite corporate liability, with an extension expressly to officers. The kind of situation you are talking about concerns to what extent, and in what circumstances, a corporation can, in effect, be tagged with the acts of its agent. That really depends on the degree of responsibility that is accorded to the functionary of the company. Manifestly, the company is not going to be held responsible for the acts of some minor functionary who is not really authorized to act on its behalf; but here you are talking about the reverse. Presumably what you need here, if you want to achieve that, is to say that where any director, officer, agent or other person employed by the company commits an offence, the company is also liable.

Senator McNamara: I understood that that is what Senator Greene was advocating. I may be wrong, but I thought he wanted to put enough teeth in this act to achieve that. I think he used the example of the Purina Company, or one of the big companies, and advocated that they be put in a position where they could not just say,

"We knew nothing about this;" that it should be their responsibility if their employees contravene the act. As I say, I am in no position to argue this. I do not know the law.

Mr. Scollin: Well, Senator McNamara, that, as I say, is the reverse of what I came here to talk about. If you are going to say that if some functionary commits an offence the corporation is liable, you have to be fairly careful about the extent to which you go down the pyramid before you impose corporate liability.

Senator McNamara: Have you a copy of the Canadian Wheat Board Act before you?

The Chairman: We have the amendment, yes.

Senator McNamara: Does that cover my point?

Mr. Scollin: Senator McNamara, what that provides as well is that when a corporation is guilty of an offence, then various other functionaries are also guilty; but you have to establish the corporate liability first.

Mr. Hopkins: My understanding was that this was Senator Greene's concern, that a special provision should be inserted to make that clear. I am not sure that he was aware of section 21 of the Criminal Code. He did not have an opportunity to look through the transcript.

The Chairman: This may not be a fair question, but if you were not giving us the advice you are giving us, and you were wishing to strengthen this legislation, and make it more specific, which of these various forms of amendment would appeal to you as being the most capable of doing the job? I take it the one in the Canadian Wheat Board Act and the one in the energy bill are the same, except that the one in the energy bill has a few more words tagged on to it.

Mr. Scollin: Yes. The Wheat Board provision, and subsection 42(2) is perfectly adequate. As I say, it does go just a wee bit beyond section 21 in providing for acquiescence; but if, on the other hand, what you are trying to do is to make the corporation liable for the acts of its agents, this probably follows from the general law, that the criminal offence of any responsible officer charged with the performance of a duty on behalf of a company works back into the company. If he does it, the company does it. On the other hand, if what you are thinking of is to go down the line somewhere to some specific functionary, then presumably what you would be doing is reversing this, so as to say that where an offence is committed by any person employed by the company, the company is liable, unless it is established that there is no negligence, or some such formula brought into play.

Senator McNamara: There is one more question. The Canadian Wheat Board Act says, "Where a corporation is guilty..." That would mean that they would have to find that the actual feed manufacturer—Purina, or any of the big companies—had deliberately contravened the act before any of the officers could be found guilty. In the case that interests me, the Wheat Board would have to prove that the head office of an elevator company, for example, had issued instructions to its agents to ignore the Wheat Board regulations.

Mr. Scollin: I do not think that follows. Under the Canadian Wheat Board Act, if, say, the elevator agent permits deliveries over quota, I think the company is also liable without any question of mens rea or guilty mind. If

deliveries over quota are taken, not only is the individual liable, but the company is also liable.

Senator McNamara: I do not think you have ever been able to prove that, because there are lots of quota regulations, and the companies always turn up their instructions to the agents to the effect that, "You must live up to the quota," and they simply say that the agent did not follow that.

Mr. Scollin: Yes. Well, there is that situation, and there is the situation which I think prevails in the case out west just now, where the company issues its instructions to the effect that, "There is a certain quota that you can take in next week", and as you possibly know, from time to time the agent sits there and says, "What the devil! Let us just take it in this week." In that case the company itself would not be liable because its instructions were quite specific that the new quota was not open until the following week. There it should not be found guilty because the guilt arises purely from the act of the agent in deciding to take in in excess of the quota.

Senator McNamara: Unless the company, as has been known to be the case, issues an instruction along the lines of, "You cannot do this. The Canadian Wheat Board Act says this and this," and then underneath in pencil, writes, "Ignore this letter".

Mr. Scollin: Well, if they were to do that I would not have any doubt about their guilt. But I should just point out that it is not essential under this formulation that the corporation should actually have been convicted. All one needs to prove to bring guilt to bear on the officer or the director, and so on, is to prove that the company actually committed the offence. It is not essential to convict it in order to convict the officer.

The Chairman: Senator Greene had this to say on November 5—and I should point out that this is somewhat out of context, nevertheless I think it has a bearing:

That has not been the record of experience in the United States. Westinghouse did not stop violating the anti-trust laws until a vice-president of Westinghouse was put in jail.

So I think Senator Greene was, in fact, wanting that the law should get at the top officials of the company if, in fact, they were guilty of having had company do certain things against the law.

Mr. Scollin: Well, as I say, section 21 of the Code does that, but if the committee wishes to put in an express provision such as the one in the Canadian Wheat Board Act, there would be no real objection to that. It is a question of policy.

Senator McNamara: Mr. Chairman, I wonder if Mr. Scollin has had an opportunity of reading Senator Greene's comments on November 5—they are on page 211—where he posed this question. Perhaps, since Senator Greene is here, I should yield to him.

The Chairman: Senator Greene, we have Mr. Scollin, the Assistant Deputy Attorney General (Criminal Section) before us, and he will speak for himself, but he has pointed out that certain general provisions of the Criminal Code, in his opinion, do not make a specific amendment necessary. But he has also stated that if the committee decided in its wisdom that it wishes to draw the attention of the courts to the fact that the officials can themselves be found

personally guilty, there would be nothing particularly wrong with it. He is aware of the current precedents set by the Canadian Wheat Board Act and the energy bill. We have been discussing this and we have heard some points of view expressed, so do you want to take it from there?

Senator Greene: My point is that the penalty section seems to me to be pretty wishy-washy and it is not going to scare anybody. In fact, in a way, it seems more like an invitation in that you almost have a built-in defence, provided you take all reasonable precautions.

Mr. Scollin: That particular amendment proposed there, Senator Greene, would, I think, take care of the question of the fine on the company and would leave it to the discretion of the court whether it should be \$2, \$5, \$500 or \$5,000.

Senator Greene: That amendment leaves the fine unlimited.

Mr. Scollin: That is right.

Senator Greene: But surely our experience is, and the American experience is even more relevant, that fines never deter a corporation from doing anything if the particular activity is profitable. It is simply a licence to break the law, and they talk a lot of nonsense about their good name and how it means so much to them. They even gave us that here. They say they are afraid of losing business if they have a bad reputation. But even my limited research shows that the anti-trust laws were never so well respected and obeyed by the corporate family of the United States until after the vice-president of Westinghouse was put in jail. From then on the law was held in great respect. Up until that point, that was not the case. I think you and I went through this previously in respect of the Canada Water Act, and you won, and my conscience has been troubling me ever since.

Mr. Scollin: Well, Senator Greene, it is open too the Crown too charge as a participant any officer or person who has actually participated, or who has been the guiding mind and will.

Senator Greene: Yes, but you have mens rea and that is a clear out for the people who are really responsible, the guys at the top. But what is the matter with it? I am just as keen a protagonist for the principles of natural justice as I think anybody in the department is, on an individual basis. And normally I think that the presumption of innocence if a very sound presumption. But in the corporate world it is a fiction whereby those who are in fact responsible can avoid their responsibility. What is the matter withh saying, "If you break any of these laws, then the chief executive officer of the corporation will find that there is a presumption that he is guilty," and make it as strong as you want to make it. Then he will police the activities of the corporation, and he will make sure that it will obey the laws since there is a strict liability resting on his shoulders. So you will have the situation that instead of the law being policed by people who are being paid by federal taxpayers, it will be policed by the people who should police it—the chief executive of the corporation who really has authority on a day-to-day basis. Now this is in one way contrary to all my principles concerning the criminal law, but on the other hand I think it is the only thing that will work in practical terms with the corporate fiction involved in industrial activity. I would like your comments on that.

Mr. Scollin: Well, for example, under the misleading advertising provisions of the Combines Investigation Act

the position is that *mens rea* is irrelevant. If the offence is committed, then no matter what the motive and no matter what the intention the courts have said that it is an offence of absolute liability.

Senator Greene: Except when you go into the export market, and then it is all right. If you combine for the purpose of competing with the Japanese in the European market, then that is noble and it is quite acceptable under the act.

Mr. Scollin: Well, there is a question of policy there. But in so far as a corporation is liable, then any officer who participates is also liable.

Senator Greene: I have found, incidentally—I practice law in addition to enjoying these sessions—that the most beneficient aspect of it is the fact that the American corporations have refused to pay the legal costs of officers who were charged individually. They say that is not a proper corporate expense and the Internal Revenue Service will now allow them the deduction, so the employees must pay their own legal fees. That worries the individual more than anything. else. In the event he is charged the company will not pay. That is just an aside.

Mr. Scollin: I cannot honestly say, senator, whether in those circumstances the Department of National Revenue authorities would permit as a proper corporate deduction the fees paid to counsel for defending a guilty director or officer. However, so far as liability is concerned it is a question of prosecution policy as to whether the individuals are charged in addition to the company. In terms of corporate fines, the tendency now is to consider how much the company has made as a result of its infraction and ask the court in terms of fining the company to do so commensurately with the profit made rather than simply imposing a fine which could be construed to be in the form of a licence. This has been our recent approach under the Combines Investigation Act.

Senator Greene: Which was upheld by the court of appeal in the rifle case.

Mr. Scollin: It was also upheld more recently in the Irving matter, and the cement case on the West Coast. In those cases an effort was made to seek a fine which would form a proper penalty.

Senator Greene: Do you not think there would have some, at least, salutary effect in having a clause in the act providing that in all cases in which a corporation is charged the chief executive officer of that corporation shall be deemed to be personally responsible for any offence committed by the corporation?

Mr. Scollin: That goes beyond the clause which we were discussing earlier, such as that included in the Canadian Wheat Board Act, which simply provides that, in effect, any officer who participated is responsible, but of itself such a clause does not deem the officer to be guilty.

Senator Greene: No, it means that the subordinate will be penalized rather than the chief man. In my opinion, clear and unequivocal words with regard to the chief executive officer would ensure that he would police to some degree. Secondly, it would have the effect that the corporations would not be considered to be the chosen children of the private enterprise system.

Mr. Scollin: It would be difficult to argue that there would be no salutary effect if it were provided in this and

other acts that in cases in which a corporation is guilty of an offence the chief executive officer shall be guilty.

Senator Greene: Be presumed guilty. That is ostensibly his duty, to be responsible for everything. However, he can get rid of that very easily by saying he appointed good people, and certainly instructed them not to put chaff in the feed. If his subordinates went beyond those instructions he could insist it was not his fault. However, if putting chaff in the feed made more profit for the company he might not bother them unless he understood he may be the individual to go to jail.

Mr. Scollin: I have no doubt that such a provision would have a salutary effect. On the other hand, I believe that eventually we must, I suppose, maintain, even at the expense of some deliberate fraud or misdoing, at least some basic fairness. I would think it would be rather offensive to deem the chief executive officer to be conclusively guilty of an offence. I agree that perhaps the half-way house principle providing that the chief executive officer would be presumed guilty unless he established that an offence occurred without lack of supervision on his part, would be appropriate.

Senator Greene: It would not work as well, but it would give his lawyers an out. That is how you talked me out of the provision in the Canada Water Act.

Senator Inman: To what extent are foreign bodies and such materials put in the feeds?

The Chairman: I would think that is a question for the officials of the Department of Agriculture.

Senator Greene: The officer of the Department of Agriculture who attended the previous meeting said, I think, there were 106 cases. They do not have sufficient policing.

Mr. Chambers: We have not yet received a statistical breakdown of the enforcement actions undertaken as a result of inspections, et cetera. There were some 4,438 during 1973, but as to how many of those dealt with foreign bodies or were other than clean-up infractions is not evident. They were all infractions of the act.

Senator Greene: There were not that many prosecutions.

Mr. Chambers: No. These were all infractions of the act dealt with by negotiation. As to prosecutions there were only one or two. So the act is not used that much for prosecutions, and they are not undertaken very often.

Senator Greene: They persuaded them to clean up their house.

Senator Blois: Mr. Chairman, for my own information, apart from the provisions of the bill, at the moment how does the Department of Agriculture check on the various manufacturers of feed to determine whether their product is according to standard?

The Chairman: They make certain inspections.

Senator Blois: Do their inspectors visit all these plants? We must remember that there are hundreds in existence now. Almost every section of the country has co-operatives, in addition to private companies, manufacturing feed. As a matter of fact, farmers maintain their own small plants in conjunction with their neighbours.

The Chairman: The provisions of this bill are, in certain circumstances, extended to farmers who are making their own feed. They make spot checks. On-the-spot policing in the sense of every day of the year does not exist, but every now and then, periodically, they do observe. I would think most of that is already in our evidence.

Senator Blois: One manufacturer told me they had never seen an inspector at their plant; they did not know anything about it.

The Chairman: And they are selling feed?

Senator Blois: Yes, they sell a good many thousand tons. I asked them frankly how they did it. I told them I wanted to know, and they said they did not know. The manufacturer said, "I have never seen an inspector in all the years we have been manufacturing."

The Chairman: They probably come, in the main, on complaints. Perhaps Mr. Scollin can answer your question. At least, we can get that information for you.

Senator Inman: Perhaps we can find out how many on Prince Edward Island are doing this.

The Chairman: These general questions that apply to the Department of Agriculture are in the record, and perhaps Mr. Chambers can draw them to the attention of officials of the department who could provide us with written answers which could be tabled for the information of the committee. Answers will be provided, but they will be delayed answers.

Senator Greene: I have done my own research into whether it is anyone's job to follow up whether this is working. They say "This is our procedure," but I suspect, say, regarding the Canada Water Act, that if the president of Abitibi thought he might go to jail, it would not be the procedure.

Mr. Scollin: If the committee thought that a policy, along the lines suggested by Senator Greene, was the proper one, perhaps it would be more fairly done by presumption that, whichever officer is concerned, he could rebut by showing due care, due diligence, proper instructions, and so on. In other words, I do not think I would like to see the chap automatically canned, so to speak. If we are going to do something of that sort, he should be left some kind of room to say, "I really did as fair a job as you would expect me to do. My instructions occasionally are going to be disobeyed, but I did my best to make sure that the law was complied with." It is a matter of policy, whether you agree with absolute liability.

Senator Greene: You would prefer some presumption in which the law was involved, and not an absolute liability. It would not work as well, but it would be fair.

Mr. Scollin: I think so, yes.

Senator McNamara: Senator Greene used the phrase "chief executive officer." How does one determine who is the chief executive officer? In law, would not that cause some problem.

Mr. Scollin: I would think, as a matter of evidence, that one could ordinarily establish who was the chap running things. Normally it would not be the chairman of the board, but the chap who is perhaps the president, the fellow who is in charge of the executive day to day running of the operation.

Senator Greene: The term "chief executive officer" is one we have adopted from the Americans. They use the term "chief executive officer." There is no such term used in British corporations. There, he is the secretary. I do not know of any corporation with which I am associated that does not have a chief executive officer.

Mr. Scollin: And the chap is happy to have the title and is easy enough to identify.

Senator Greene: And the positive things that go with it. Perhaps we should negative the blessings of being chief executive officer by showing that he has a public responsibility.

The Chairman: If there are no further questions, I will thank Mr. Scollin for appearing before us. I think I can say, in the light of what has gone on this morning, that it is likely to be the mood of the committee to strengthen this act, at least along the lines already in the Canadian Wheat Board Act and the energy resources bill. Certainly we shall give consideration to the submission made by Senator Greene and the comments of Mr. Scollin in reference to it.

We have a meeting scheduled for next Tuesday to hear a representative of the pet food people. There will be a further meeting, perhaps in camera, to consider amendments, and they will then be considered at an open meeting of the committee. I think this committee has already established that it is looking at the act very carefully and will have some amendments to put forward.

Senator Greene: Could we have a short brief for our in-camera meeting to enable us to determine the advantages and disadvantages, the rights and wrongs, of having an amendment giving absolute liability vis-à-vis the chief executive officer as opposed to a presumption?

The Chairman: Mr. Scollin, you might provide that as a confidential document, mainly for information, without putting pressure on the committee.

Senator McNamara: Mr. Chairman, with regard to that confidential document, I have a good deal of admiration for our Department of Justice and their advice. As a layman, I was wondering if the Department of Justice is prepared to recommend the legislation in the form given to us, or some of the amendments that have been suggested. I think we should have a definite recommendation from the Department of Justice as to whether or not they are in favour of the amendment. That does not take away from our responsibility. I would like to know what they think about this amendment.

The Chairman: Mr. Scollin, appearing in his official capacity as assistant deputy minister, has given us, for the record, the official position of the department. Having considered his official position this morning, and bearing

in mind the official position of the department with regard to various other acts, this committee can make a judgment. We have their submissions on this bill, and if we feel that the Department of Justice is not recommending precisely what it should, we shall recommend to Parliament precisely what we think should be in the bill. That is our responsibility. Mr. Scollin is assuming his responsibility by giving us his recommendations.

Senator McNamara: I agree with what you have said, Mr. Chariman. I think you are more astute than I. I did not take it, from Mr. Scollin's remarks, that he came here prepared to recommend changes.

The Chairman: No, he did not. In effect, he is recommending against them—mildly, I take it—but suggesting there might be advantages in doing it some other way.

Senator Greene: What he is saying, Mr. Chairman, is that if anyone is going to be the s.o.b., it should be the politicians, and not the officials of the Department of Justice, and with that I agree.

Are you aware, Mr. Scollin, of any study undertaken within any departmennt of government as to how we make corporations behave in a publicly responsible way.

Mr. Scollin: I gather there is a study being undertaken in the Department of Consumer and Corporate Affairs on the question of corporate liability. I believe that study is under the direction of Mr. John Howard, Assistant Deputy Minister of Corporate and Consumer Affairs. Mr. Johnson is perhaps more familiar with this than I am, so perhaps he could confirm that.

Mr. Johnson: That is correct.

Senator Greene: And there are no conclusions as yet?

Mr. Johnson: Apparently not.

Senator Greene: It might be useful for this committee to give them a lead on which to work. Let the politicians lead for a change, instead of leaving it to the officials of the department.

The Chairman: We have a submission from the Pet Food Manufacturers Association of Canada concerning Bill S-10. The committee asked that association if they would like to make a representation to the committee, and they have submitted a brief for our consideration.

May I have a motion that the submission by the Pet Food Manufacturers Association of Canada be printed as an appendix to the proceedings?

Senator Inman: I so move.

Hon. Senators: Agreed.

For text of appendix see p. 11.

The committee adjourned.

APPENDIX "A"

SUBMISSION BY THE

PET FOOD MANUFACTURERS ASSOCIATION OF CANADA

TO THE SENATE STANDING COMMITTEE ON AGRICULTURE

CONCERNING BILL S-10

AN ACT TO AMEND THE FEEDS ACT

December 4, 1974

- 1. The Pet Food Manufacturers Association of Canada is an Association comprising twelve company members consisting of all the major Canadian processors and suppliers of pet foods. A list of the membership is attached as Appendix "A". Our members supply greater than 90% of the sales of pet foods which are estimated at about \$100 million annually, including in excess of \$10 million in export sales. Our members operate some twenty plants located coast-to-coast in Canada.
- 2. The first purpose of this Association according to its By-Laws is "to seek out, study, and solve problems within the industry." In line with that purpose we have undertaken a considerable amount of work over the years, of which the industry is justly proud and we shall return to this later in the brief.
- 3. We thank you for the opportunity to express our views to your Committee on the subject of Bill S-10 "An Act to Amend the Feeds Act". You have drawn to our attention the fact that two groups of interested parties appearing before you have recommended that the wording of the present Bill be expanded to cover the inclusion of cats and dogs under the heading "Livestock". It would appear that these recommendations were put forward because of an apparent misunderstanding as expressed in the submission of the Consumers Association of Canada to the effect that—"pet foods are not covered by the provisions of—any legislation."
- 4. In these circumstances, we would like to take this opportunity to point out that the pet food industry is already closely regulated by the following Federal legislation—namely, The Consumer Packaging and Labelling Act and general regulations; The Weights and Measures Act and The Combines Investigation Act. Moreover, the Standards Branch of the Department of Consumer and Corporate Affairs polices the labels of all pet food products and the Combines Branch of the Federal Government maintains close vigilance over the pet food industry for any possibility of misleading advertising.
- 5. In addition to the foregoing legislation and regulatory safeguards we, as an Association of pet food manufacturers have developed "Pet Food Labelling Guidelines" which establish the methods for complete listing of ingredients in descending order by percentage of weight, together with a guaranteed analysis specifying the minimum percentage content of protein, fat and dry matter, and the maximum content of moisture. All members of the Association have endorsed these Guidelines. Furthermore, our Association, representing the pet food industry, is presently working with the Metric Commission towards the eventual metrication of the pet food industry.

6. Pet foods produced by Canadian manufacturers are scientifically designed to provide nutrition and health to Canadian pets, either as complete diets in themselves or as components in mixed diets.

The very fact that substantial exports of the products of our member companies currently amount to approximately \$10 million attests to the quality of these products.

- 7. As the intent of the Feeds Act is to deal with the feeding of livestock, it has no application whatsoever to the pet food industry in that "livestock" is commonly defined as animals kept or dealt in for use or profit and ultimately destined for slaughter. In any normally accepted use of the term, we would submit that, "livestock" would not be held to include cats and dogs. We would further point out that the distribution channels and even the ultimate purchaser of feeds for livestock are markedly different from the distribution channels and purchasers of pet foods.
- 8. It is important to note that the Federal Government has seen reason to differentiate between livestock and pets. This difference is very clearly recognized by the Department of Transport with support of federal and provincial departments of agriculture in the legislation establishing national freight rates, where grain brought from the west for the purpose of feeding livestock is granted a special low rate, but grain destined for feeding pets is specifically excluded from that favourable rate.
- 9. We are dealing here not with a question of semantics, but with a real difference which leads us to believe that pet foods as such to not appropriately fit under the jurisdiction of the Feeds Act. We should strongly support the view expressed by Senator Molgat, in your Hearing of November 7, 1974, wherein he said "I can see that possibly under the Department of Consumer and Corporate Affairs there should be regulations in connection with proper labelling, so that no unscrupulous manufacturer could sell an imperfect product.
- 10. In view of the fact that the Canadian pet food industry is already subject to all of the legislation suggested by the Honourable Senator Molgat, the fact that the pet food industry comes under the jurisdiction of several government departments and in view of the further fact that Canadian pet foods are scientifically designed to provide nutrition and health to Canadian pets either as complete diets in themselves or as components in mixed diets, it is respectfully submitted that there is no need for the Feeds Act, which deals with livestock and has no application to the pet food industry, to be amended for the purpose of including thereunder "cats and dogs".
- 11. We are grateful for the opportunity to present these comments to your Committee, and we will be pleased to appear before you at your convenience to provide any clarification or additional information that you may desire.

Respectully submitted,

W. W. Campfield, President
Pet Food Manufacturers Association
of Canada

MEMBER COMPANIES AS OF DECEMBER 4, 1974

Allen Products Company of Canada Ltd.

Menu Foods Limited

Canada Packers Limited

Nabisco Foods, Division of Nabisco Limited

General Foods, Limited

Quaker Oats Company of Canada Ltd.

Jean Demers Incorporated

Ralston Purina of Canada Limited

Maple Leaf Mills Limited

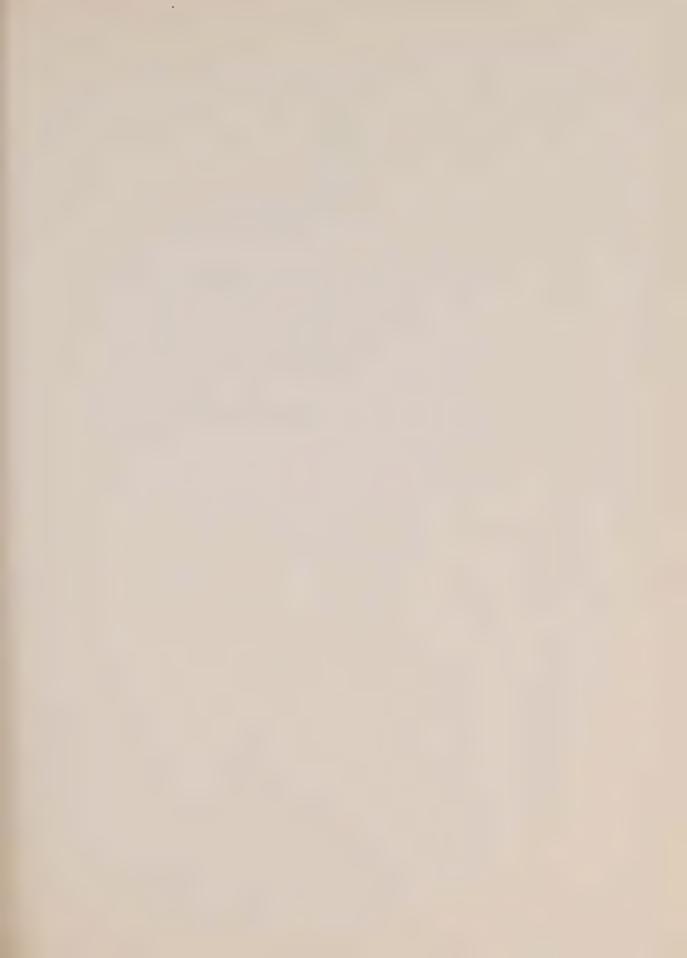
Standard Brands Food Company

Martin Feed Mills Ltd.

Uncle Ben's Incorporated

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada













FIRST SESSION—THIRTIETH PARLIAMENT 1974

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

————

Issue No. 8

TUESDAY, DECEMBER 17, 1974

Fifth Proceedings on Bill S-10, intituled:
"An Act to amend the Feeds Act"

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman.

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue
Benidickson
Blois
Côté
*Flynn
Fournier
Haig
Hays
Inman
Lafond
Laing

McElman McGrand McNamara Michaud Molgat Norrie *Perrault Sparrow Welch Williams Yuzyk—(20)

(Quorum 5)

*Ex officio member

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 23rd, 1974:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Argue, seconded by the Honourable Senator Heath, for the second reading of the Bill S-10, intituled: "An Act to amend the Feeds Act".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Argue moved, seconded by the Honourable Senator Forsey, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Tuesday, December 17, 1974.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 9.45 a.m. to further consider Bill S-10, intituled: "An Act to amend the Feeds Act".

Present: The Honourable Senator Argue (Chairman), Benidickson, Lafond, McElman, McGrand, McNamara and Norrie. (7)

Witnesses:

Department of Consumer and Corporate Affairs:

Mr. C. M. Bolger,

Acting Assistant Deputy Minister.

Mr. H. W. Wagner,

Director.

Consumer Fraud Protection Division.

Department of National Health and Welfare:

Dr. D. G. Chapman,

Assistant Director General,

Food Directorate.

Mr. D. Burvill.

Compliance Officer,

Food Directorate.

Department of Agriculture:

Mr. C. R. Phillips,

Director General,

Production and Marketing Branch.

Standard Brands Canada Limited:

Dr. G. D. Micklea,

Corporate Technical Director.

Mr. T. A. Goodyear, Assistant to the President, *Grocery Products Manufacturers of Canada*, was also present as an observer and answered questions of the Committee.

The Chairman notified the Committee that another meeting would take place at a date as yet undetermined.

At 10.35 a.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, December 17, 1974.

The Standing Senate Committee on Agriculture to which was referred Bill S-10, to amend the Feeds Act, met this day at 9.45 a.m., to give further consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we have a number of witnesses this morning. I think we should start with the Department of Consumer and Corporate Affairs, represented by Mr. C. M. Bolger, Acting Assistant Deputy Minister Consumer Affairs, and Mr. H. W. Wagner, Director, Consumer Fraud Protection Division.

As you will recall, there has been considerable discussion as to whether or not this act should be extended to cover pet foods. There has been evidence pointing out the advantages that would flow from this, and there has been some resistance to this being done, for a number of reasons. So we have representatives of various departments with us this morning and they can give us their particular point of view. We should hear from the three departments first, if that is in order, and we can put questions after each of the witnesses has made his presentation. After they have concluded, we might have a general discussion on any points which come up. I would ask Mr. Bolger now to make his statement to the committee.

Mr. C. M. Bolger, Acting Assistant Deputy Minister, Consumer Affairs, Department of Consumer and Corporate Affairs: Thank you, Mr. Chairman.

Honourable senators, we are aware of the suggestion to the committee, by the Consumers Association of Canada, I believe, that the definition of "livestock" be amended in the bill before the committee to include cats and dogs. As far as the Department of Consumer and Corporate Affairs is concerned, there are two aspects involved in the possible regulation of pet foods. The first has to do with the labelling. We are satisfied that the Consumer Packaging and Labelling Act contains adequate powers now for the disclosure of information on labels with respect to pet foods. So no additional powers are required in so far as labelling is concerned.

The other aspect of regulation of pet foods would be the development of nutritional composition or health standards, and in this respect it is our understanding that at the present time there is not authority to regulate. With that in mind and with the idea in mind that the establishment of standards for composition would then entail enforcement, which would have to be worked out between the Department of Agriculture and ourselves, and would entail considerable enforcement to ensure that the standards were being lived up to, we looked at the complaint load to the department, through Box 99 and through our regional offices, to try to gauge the extent of consumer dissatisfaction with pet foods. Mr. Chairman, the results of our

survey were that complaints about pet foods, not just the composition but all complaints about pet foods, amounted to less than one-half of one per cent of our complaint load in 1972 and again in 1973.

The only significant change in the statistics for complaints between the two years was that complaints about prices doubled in 1973 over complaints in 1972. This led us, then, to the conclusion that if the imposition of standards and the enforcement of compositional standards would lead to higher prices, it would be an even greater cause of consumer dissatisfaction. We came to the conclusion that we simply do not have enough information at the present time to propose regulation of this industry. We felt that a certain number of studies would be required to conclude whether this would be an appropriate course of action or not-such studies as determining at the present time the composition of pet foods, going into costs of regulating and enforcing the standards which might be imposed, and taking a look at the costs and the benefits in light of that very light consumer complaint load that we have now with respect to pet foods.

So, our conclusion, Mr. Chairman, was that because the volume of sales of pet foods is growing, in our increasingly affluent society, we can foresee regulation being required at some point in the future, but we believe that a good deal of study is required before that action is taken.

The Chairman: Is the Consumer Packaging and Labelling Act now in force or is it to come at a later date, or to what extent are pet foods adequately labelled at this time?

Mr. H. W. Wagner, Director, Consumer Fraud Protection Division, Department of Consumer and Corporate Affairs: Mr. Chairman and honourable senators, the fraud aspects of the Consumer Packaging and Labelling Act are now in effect, so we now control any fraudulent statements on the labels. The general labelling provision—including the declaration of the common name, the net contents and the name and address of the manufacturer—will come into effect on September 1, 1975—in other words, next year.

At the present time we are reviewing the labelling and determining whether in fact there are any fraudulent statements, and if we do find any, they will be taken up with the manufacturer. So at the present time the fraud provisions are there, and if there are any fraudulent statements we can control them and take special action.

Senator Benidickson: Mr. Chairman, perhaps this is not quite on the point of the brief, but it is important to the presentation made. You have indicated, Mr. Bolger, that you have made an analysis of consumer complaints and that with respect to pet foods specifically the complaints would be only one-half of one per cent of all complaints received in 1972 and 1973. It would be interesting to me, and perhaps to other members of the committee, as you

have such an analysis, to have on record what complaints are important and are involved in this connection.

Mr. Bolger: I am not clear, Mr. Chairman, whether Senator Benidickson's question relates to other complaints in our complaint system.

Senator Benidickson: Yes. If you have an analysis of complaints in regard to such-and-such, what other complaints make up the total percentage, waht are the major sources?

Mr. Bolger: Yes, we have that, sir. If you will permit me, I will turn up a table, which I can provide to the committee.

Senator Benidickson: It has already been published in a report?

Mr. Bolger: It has already been published in the annual report of the department. This is the annual report for the year ending March 31, 1973. The major cause of complaint in that year was—and I believe this would be true if I looked at 1973 as well—motor vehicles and accessories.

Senator Benidickson: What are the others? What would be the percentage?

Mr. Bolger: I have not the percentages. It is 2,000 out of 14,000, in that order.

Senator Benidickson: What were the other items?

Mr. Bolger: Running a close second is real estate and housing, at 1,452. Food is third. Sales promotions is fourth.

Senator Benidickson: Can you give a breakdown of the figures with respect to the total 14,000?

Mr. Bolger: Yes, I can. 1,991 for motor vehicles and accessories; 1,452 on real estate and housing; 1,168 on food; and 1,005 on sales promotions. So you have to look at those, sir, in proportion to the pet food complaints, which were 77 for 1972 and 103 for 1973.

Senator Lafond: Could the witness please break down the figure of 77 complaints for 1972 into those which bore only on pricing?

Mr. Bolger: Yes, sir.

Senator Lafond: And those which may have had a bearing on quality or any other aspect?

Mr. Bolger: The figure for quality is constant for the two years, being 41 in each, out of 77 in 1972 and 103 in 1973. The price complaints increased from 11 in 1972 to 28 in 1973.

Senator McGrand: I did not quite follow your statement. Do you mean that out of 77 complaints 41 related to quality?

Mr. Bolger: Yes, sir; about half of the total in that year.

Senator McGrand: When you speak of quality, it can involve a number of considerations.

Mr. Bolger: Yes.

Senator McGrand: What type of complaints are received with respect to quality?

Mr. Bolger: I can give you examples of pet food complaints that have come in consistently. Increase in price, of

course, is fairly frequent. Low nutritional quality of dog food, for example, is one. "Dog food used to have chunks of meat, now it is ground", or a complainant feels it contains cereal. Someone else objects to dog foods being taxable. Here is a complaint from a person who believes budgie food is of poor quality. Increase in price again. "Quality of cat food is declining steadily." "Advertised cat food has essential nutrients". Question: "What are the essential nutrients?"

Senator Benidickson: Are we still dealing with 77 complaints out of approximately 14,000?

Mr. Bolger: Yes, sir.

The Chairman: What action is taken when these complaints are received?

Mr. Bolger: We would normally follow it up with the manufacturer, Mr. Chairman, and endeavour to obtain satisfaction for the complainant.

Senator McElman: Would any of those complaints have been justified? Do you have any record of that?

Mr. Bolger: I am certain, sir, that some of them would have been justified. I have no record with me of the disposition of the complaints, but I am sure that out of that number some would have been justified.

Senator McElman: Out of all the pet food sold in Canada, would you consider the level of the complaints to be negligible, or otherwise?

Mr. Bolger: I would not term it negligible, but I consider it to be a minor source of complaint at the moment. As I indicated in my statement, it is an area to which, before we get into a fairly extensive legislative exercise, it would be well to give close study.

Senator McElman: That is based on the volume of complaints you now receive?

Mr. Bolger: Yes. It is not a major source of consumer dissatisfaction.

Senator McElman: Based on the volume of complaints you now receive, would you consider it appropriate to establish a government procedure for policing, with all the attendant costs?

Mr. Bolger: Not on the present volume of complaints, no.

Senator Benidickson: You indicated that you had made really no follow-up with respect to these 77 complaints. What is the follow-up practice of the department with respect to the other complaints, totalling some 14,000?

Mr. Bolger: I am sorry, but my statement was that I have no information here with respect to the follow-up action with regard to those complaints. Every complaint is followed up, normally with the manufacturer or the retailer, whoever is in the better position to rectify the cause of complaint.

The Chairman: Are there any other questions? If not, thank you very much.

Our next witness is Dr. D. G. Chapman, Assistant Director General, Foods Directorate, the Department of National Health and Welfare.

Dr. D. G. Chapman, Assistant Director General, Food Directorate, Department of National Health and Welfare: Mr. Chairman, I have with me Mr. Don Burvill, Compliance Officer, Food Directorate. It will be easier for me, now that Mr. Bolger and Mr. Wagner of the Department of Consumer and Corporate Affairs have spoken to you.

In the Department of National Health and Welfare there is no legislation which we administer giving us authority over pet foods. Now, that would not apply, of course, to veterinary drugs, because the definition of a drug in the Food and Drugs Act clearly indicates for man or animal. However, when it comes to foods, our authority only extends to foods for human consumption. If however, it can be established—and Mr. Bolger has made reference to this-in the first instance that humans are indeed consuming pet foods; if, indeed, there are nutrients or chemicals contained in these foods about which we would be concerned; if, indeed, they are not processed-but, please appreciate there are "ifs" before all these statements, Mr. Chairman,-if, indeed, it can be established that there is under-processing which might result in microbes being present in the foods; if all of these occur, then my department would have a concern. This concern would be because of the lack of regulatory control over something which, not intentionally but unintentionally is being used for human consumption.

I believe, in a few words, that states the view of my department. If these things are occurring, then we would be concerned.

The Chairman: Thank you very much. Have you found any of the "ifs" and, if so,...

Senator Lafond: First of all, have you looked for them?

The Chairman: Has it happened; and, if so, what have you done?

Dr. Chapman: We have no information with respect to these points. Mr. Chairman, primarily from the standpoint that we have no authority at this point in time over pet foods, we have not looked for then, as I understand it. Mr. Burvill, is that correct?

Mr. D. Burvill, Compliance Officer, Food Directorate, Department of National Health and Welfare: That is correct.

Dr. Chapman: We have neither studied nor researched these "ifs".

The Chairman: Do you feel that you should have such authority, or that some other branch or department should have greater authority than at present over pet foods, their contents, et cetera?

Dr. Chapman: Mr. Chairman, I feel that until more information is gathered and some of these "ifs" are satisfied we cannot say that we need such regulatory control. If, however, it has been well established that these "ifs" are satisfied, I would say, sir, yes.

The Chairman: You are not carrying on an inter-departmental campaign for greater authority?

Dr. Chapman: We are not, sir.

The Chairman: Are there questions from the honourable senators?

Senator McGrand: Do you have any control over the meat content of a can of dog food? I think of a person

buying a can under the impression that it contains 80 per cent meat when really the content is only 40 per cent meat.

Dr. Chapman: Indeed, sir, that becomes deception and fraud under the Consumer Packaging and Labelling Act and regulations, and that group would take action. Is that correct, Mr. Bolger?

Mr. Bolger: Yes, sir.

The Chairman: Are there any further questions? If not, our next witness is Mr. C. R. Phillips, Director General, Production and Marketing Branch.

Senator Lafond: Production and Marketing Branch of which department?

The Chairman: Agriculture. We invite you to make an opening statement, Mr. Phillips.

Mr. C. R. Phillips, Director General, Production and Marketing Branch, Department of Agriculture: Thank you, Mr. Chairman. I would like to introduce Mr. Jefferson, Director, Plant Products Division, Department of Agriculture.

This question of pet food has come up from time to time in the Department of Agriculture in relation to the Feeds Act. The advice that we have received from the Department of Justice over the years is that the constitutional background of the Feeds Act is section 95 of the B.N.A. Act dealing with agriculture. Agriculture is the term generally applied to the production of agricultural products. The concern we have is that if one extended the Feeds Act to include pet foods, it would be extremely doubtful whether there is constitutional authority, and it may jeopardize our control of livestock feeds for the benefit of farmers.

The other point in terms of the department is that since we are directing our efforts towards agriculture, we could get into areas which are not agriculture and our service to agriculture would be diluted in terms of the dollars that we are given for the administration of agricultural legislation and programs.

I should say, however, that within the Department of Agriculture there are other pieces of legislation—for example, the Animal Contagious Diseases Act and the Meat Inspection Act. Veterinarians and inspectors inspect all registered establishments that process meat for interprovincial trade, plus others who have asked for the service. At the present time about 85 per cent of the meat that is processed is inspected by our veterinarians. In those plants considerable pet food is manufactured. To the degree that pet food is manufactured in those meat plants, they must conform to the standards of wholesomeness that is required of meat. Therefore the products leaving those packing plants are wholesome.

In terms of one other area, there are rendering plants in Canada where they do not supply meat to the human population. They render meat into meat meal and blood meal, and at some of those plants there are so-called fallen or dead animals that arrive which can be used, when properly processed in the production of livestock feeds. In those plants there could be pet food produced. It is the intention to extend the Animal Contagious Diseases Act for the protection of livestock to cover those plants. To that degree, when covered, an additional group of pet foods that are made from meat in those plants would be covered. We recognize that does not cover pet food that is completely

made of cereal, or mainly cereal, which would be made in what we call a food manufacturing plant.

The Chairman: Apart from the constitutional aspect and the dollars involved, can you say generally, if these two things were solved, whether there would be some advantage to Canadians to have pet foods more thoroughly examined, their contents more adequately disclosed, and so on; or do you think it is satisfactory the way it is?

Mr. Phillips: Well, one must examine them in the context of priorities, I suppose, and in terms of what dollars you have to spend. There has been some evidence brought out this morning in terms of the number of complaints. I would assume that if pet foods were controlled, we would in any case, have a somewhat higher quality pet food from the 5 per cent of the people for whom we have laws to regulate. In general we say that the laws are for 5 per cent of the population, and the other 95 per cent are doing what is right, manufacture a proper product, and their business is dependent on having a quality product for the consumer buyer.

The Chairman: Are there any further questions?

Senator Norrie: Would we be completely absolved of any blame if there were an epidemic, or if any group of people were found to be terribly sick or died from the effects of eating it?

Mr. Phillips: By "we", you mean the government?

Senator Norrie: Yes.

Mr. Phillips: I am not a lawyer, but I would assume we are. I would think the responsibility would be on the manufacturer, with or without a law.

The Chairman: There is some protection under the Food and Drugs Act. They cannot put any old thing in the product.

Mr. Phillips: As Dr. Chapman explained, the Food and Drugs Act does not cover pet foods. To the degree that a pet food is made, as I said, in these plants, and inspected by veterinarians and lay inspectors, pet foods coming out of those plants are sanitary and wholesome.

Senator Norrie: Could you perhaps label a can "Human beings eat at their own risk"? Would that be additional precaution?

Mr. Phillips: It is possible that one could put on such a label, but I am not quite sure of the question, whether you are saying that would be a good thing or whether a law now provides that you can demand that. If the latter, I do not believe there is a law that would allow us to demand that.

Senator McElman: The same thing would apply to bird seed. We have had testimony from the witness about the plants that are under veterinarian inspection; also that rendering plants will come under inspection. Do we have any evidence of the proportion of pet food that comes from those two types of plant as related to the whole production?

Mr. Phillips: No, we have not.

Senator McElman: Have we had any testimony from any other witness in this respect, as to regulated and unregulated production of pet food? The Chairman: Does anyone in the room have an answer to that question?

Mr. Terry Goodyear, Assistant to the President, Grocery Products Manufacturers of Canada: I do not have that information to hand, but perhaps the Pet Food Manufacturers Association could obtain that information for you, if you wish.

The Chairman: Perhaps you could send that to us. Mr. Goodyear is here this morning as an observer.

Senator McElman: It would seem to me that the information is relevant to our whole discussion, whether it is 2 per cent or 20 per cent, whatever it may be, that is now unregulated, because obviously a lot of it is regulated.

Mr. Phillips: To a degree.

The Chairman: To the degree that you said, Mr. Phillips. Are there any other questions on this point?

Senator McGrand: If someone buys canned salmon or canned sardines, and they develop ptomaine poisoning, is the company that produces that product responsible for costs?

Dr. Chapman: Yes.

Mr. Phillips: The answer is yes.

Senator McGrand: The axiom is that it has happened quite a lot, but there are not many cases coming before the courts concerning that. There are very few people suing pet food companies.

Dr. Chapman: We do not have the prosecution figures at hand.

Senator McGrand: I am not asking for specific detail. I am just wondering whether it is a frequent occurrence.

Dr. Chapman: It does happen on occasion, senator.

Senator McGrand: I do not suppose the law is strict when it comes to a dog contracting ptomaine poisoning as a result of consuming dog food. I am wondering whether the penalty would not apply in respect of a human being who eats that dog food and, as a result, becomes ill. Where is the responsibility in that case?

Senator Lafond: It would be up to the Bench to determine the degree of negligence on either side. The pet food, of course, was not offered as food for human consumption.

Senator McGrand: I realize the pet food manufacturers do not manufacture the pet food for human consumption. However, if a person did consume pet food and became ill as a result, where would the responsibility lie?

Senator Lafond: To my mind, there would be degrees of negligence in each case, and it would be up to the bench to assess that degree of negligence.

The Chairman: There is no specific law to deal with this question right now. I think that is one of the things the Consumers Association had in mind.

Senator Norrie: Animal deaths due to tuberculosis are not as common now as they used to be. Would the tuberculosis germ be destroyed in the process of canning?

Mr. Phillips: I am not an expert in that area, but I would say that if that were transmittible, to use Dr. Chapman's expression, and not destroyed by the heat process, it would not be allowed in the plant, or to leave the plant in other than a destroyed form, under the Meat Inspection Act. It could not go into anything else.

Senator Norrie: The slaughterhouses and the canned pet food plants are inspected, are they?

Mr. Phillips: The meat plants, yes.

The Chairman: I believe Dr. Micklea wishes to add something.

Dr. G. D. Micklea, Corporate Technical Director, Standard Brands Canada Ltd: Mr. Chairman, I should like to address myself to the comments regarding the tubercle bacillus. This organism, assuming that it did get into the manufacturing pet food plants, would be destroyed through the heat of retorting the canned goods. This organism is resistant to many drugs, but it is not resistant to heat. It is easily destroyed at retort temperatures.

The Chairman: Do all pet foods on the market go through this heat process?

Dr. Micklea: Canned pet food products go through this process. Dried and semi-moist pet foods do not go through the same kind of heat process.

The Chairman: So there is still a chance that it could appear in products other than canned products?

Dr. Micklea: Except that, as Mr. Phillips has already stated, it would not get into the pet food plants because of the inspections carried out under the Meat Inspection Act and the other inspections to which pet food plants are subject.

The Chairman: As I understand it, there are some plants that are not inspected as meat plants, so that, at

least in theory, and probably in actual happening, there are parts of the pet food industry which could sell contaminated pet foods.

Dr. Micklea: It is a possibility, yes.

Mr. Phillips: Mr. Chairman, in terms of the meat products used by dry pet food manufacturers, it would still come out of a plant producing a dry product for the livestock industry. I am not aware of any plant making dried meat products which are going out without inspection. There would be two batches, one going to the pet food industry and one going to livestock. To the degree that they are manufacturing such products, they are covered under the Feeds Act, or the Animal Contagious Diseases Act, or the Meat Inspection Act.

The Chairman: If there are no other questions or comments, the meeting will adjourn. A further meeting on this bill will be necessary in order to deal with the question of the penalty clause, which is presently being studied. Senator Greene led the discussion last time in that respect, and it would seem at this point that there is a consensus that this committee should amend the bill to provide a strengthening of that clause, Precisely what that amendment will be has not yet been settled.

The committee has taken quite a long time on this bill, but I think we have heard some very important evidence. We are giving it a thorough examination, and when we have finished with the bill it is my hope, and I know it is the hope of the committee, that it will be in fairly good shape.

Senator Lafond: Sober first thought.

The Chairman: Yes. The meeting will adjourn to the call of the Chair.

The committee adjourned.

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada.

















CALLE 25 Comments

FIRST SESSION—THIRTIETH PARLIAMENT 1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 9

THURSDAY, FEBRUARY 20, 1975

Sixth Proceedings on Bill S-10, intitoled:

"An Act to amend the Feeds Act

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman.

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue
Benidickson
Blois
Côté
*Flynn
Fournier
Haig
Hays
Inman
Lafond
Laing
(Quorum 5)

McElman McGrand McNamara Michaud Molgat Norrie *Perrault Sparrow Welch Williams Yuzyk—(20)

^{*}Ex officio member

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 23rd, 1974:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Argue, seconded by the Honourable Senator Heath, for the second reading of the Bill S-10, intituled: "An Act to amend the Feeds Act".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Argue moved, seconded by the Honourable Senator Forsey, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Thursday, February 20, 1975

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 9:30 a.m. to further consider Bill S-10 "An Act to amend the Feeds Act".

Present: The Honourable Senators Argue (Chairman), Benidickson, Inman, Michaud, Molgat, Norrie, Sparrow, Williams and Yuzyk. (9)

Present but not of the Committee: The Honourable Senator McDonald and Petten. (2)

In attendance: Mr. E. R. Hopkins, Law Clerk and Parliamentary Counsel; Mr. Albert Chambers, Research Assistant to the Committee.

Witnesses:

Department of Agriculture:

Mr. C. H. Jefferson, Director, Plant Products Division.

Department of Justice:

Mr. W. G. Johnson, Legislation Section.

On Motion of the Honourable Senator Inman, it was Resolved that a Submission from the Canadian Veterinary Medical Association be printed as Appendix "B" to these proceedings.

At 10:50 a.m. the Committee proceeded with its study of the Bill *in camera*.

At 11:25 a.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, February 20, 1975.

The Standing Senate Committee on Agriculture, to which was referred Bill S-10, to amend the Feeds Act, met this day at 9:30 a.m. to give further consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, I see we have a quorum. Because of the number of committee meetings scheduled for this morning, it is difficult for both this committee and other committees to function. I regret to say that we are in a room which, through no fault of our own, is not equipped with simultaneous interpretation equipment. We are in a part of the building which is not so equipped, and we are all anxious that this situation be corrected as soon as possible. I mention that so that it is understood that the first choice would be a room equipped with simultaneous interpretation equipment.

We have before us Bill S-10, to amend the Feeds Act. I have been away for some time and have lost contact with exactly what has taken place. We have received a brief from the Canadian Veterinary Medical Association, which we can have printed as an appendix to today's proceedings. At a later date, if we feel it is necessary, we can call witnesses from that association on the points raised in the brief. Is there a motion that the brief be printed as an appendix to today's proceedings?

Senator Inman: I so move, Mr. Chairman.

Senator McDonald: That would not preclude us from calling witnesses later should we decide to do so?

The Chairman: No, not at all. Perhaps we should leave that particular decision to a later date.

For text of brief, see Appendix B, page 13.

Senator McDonald: That would be the best course, in my view. I am not sure that we should not call witnesses from that association. I have been reading the brief and it leaves some rather large unanswered questions with regard to the pet food industry.

The Chairman: We will leave that decision to a later time. I do not think we are at the point now where we should consider the bill formally. Mr. Hopkins, the Law Clerk, is with us this morning, so perhaps we might consider informally the proposed amendment with regard to the penalty clause, if the committee is agreed, following which we would then consider the bill formally.

Perhaps Mr. Hopkins could now explain the proposed amendment. As honourable senators will recall, this proposed amendment arises out of our previous discussions and the feeling that the penalty clause in the draft before us was not adequate, and particularly Senator Greene's

very strong suggestion, with general agreement, that it should be strengthened. What Mr. Hopkins will now deal with is the draft of the proposed amendment. I think the record will show that this particular wording is in keeping with the general suggestion that Senator Greene made at the time of our previous discussions. Without further ado, I will ask Mr. Hopkins to explain to the committee the proposed amendment.

Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel: Mr. Chairman, this draft, I suppose, is a composite effort of Mr. Johnson's and myself, and I understand from Mr. Johnson that the Department of Justice has no objection to it.

Mr. W. G. Johnson, Legislation Section, Department of Justice: That is correct, Mr. Chairman.

Mr. Hopkins: The proposed amendment would increase the penalty for a corporation committing an offence under this act by providing that it shall, in every case, be punishable by indictment rather than by summary conviction, bringing in a provision of the Criminal Code which allows the trial judge, in his discretion, to set any fine he feels appropriate. As honourable senators will recall, the argument against the penalty section as drafted was that the fine was too small to affect a corporation. Under the proposed amendment, the trial judge can set any fine he feels appropriate in the circumstances.

You may recall that Senator Greene was very anxious to ensure that the chief executive officer of the corporation involved should be given an added responsibility in this matter, which he thought would tighten the administration considerably. To meet that, we have added the following:

(1.2) Where a corporation is guilty of an offence under this Act, the chief executive officer of the corporation shall be presumed guilty of the same offence, unless he establishes that the offence was committed without his knowledge or consent and that he exercised all due diligence to prevent its commission.

If I may say, that stops short of making it an absolute offence. In other words, he can rebut the presumption of guilt by showing that he knew nothing about the offence and that he used all due diligence to prevent its commission. Mr. Justice Hartt, who is heading up the federal Law Reform Commission, strongly supports this due diligence qualification, and that is why we have incorporated it in the proposed amendment.

If there are any questions, I will be glad to try to answer them. The proposed amendment, I think, would tighten considerably the administration of this act.

Senator Molgat: Does this then leave the chief executive officer of a corporation in the position where he is subject to a greater penalty than a natural person as defined in clause 10(1)?

Mr. Hopkins: Yes, it does.

Senator Molgat: I can quite see the logic behind making the corporation pay a higher fine. I can accept that, but should an individual, because he is the president of the corporation, be subject to a greater penalty than the individual who may be running a business which is not incorporated?

Mr. Hopkins: Of course, that is a question of policy.

The Chairman: A greater penalty in the sense that the absolute penalty could be greater, or that he might be subject to an additional penalty?

Mr. Hopkins: He would be guilty of the same offence and, therefore, would be subject to conviction on an indictable offence. It would be a slightly greater penalty and the fine would be unlimited in that the discretion as to the amount of the fine is left with the judge.

Senator Molgat: Under the proposed amendment, the corporation could be fined as a separate entity but, as well, the chief executive officer could be fined.

Mr. Hopkins: If found guilty, yes.

Senator Molgat: I do not see why he, as an individual, should be placed in a worse position than another individual who is not the chief executive officer.

Mr. Hopkins: That is entirely up to the committee.

Senator Molgat: I appreciate that.

The Chairman: Unfortunately, I am not able to repeat the argument put forward by Senator Greene, but he said that the Americans, in their experience, before arriving at this kind of penalty section, had all kinds of infractions by corporations and the presidents simply pleaded that they had no knowledge of the offence. Instead, they got some poor guy way down the row in the corporation who took the rap and the corporation went merrily on.

The monetary penalty is not going to affect such huge corporations as General Motors if they are out making a lot of money. Senator Greene felt that the latter part of the proposed amendment would allow the chief executive officer to put forward a defence if he were operating in an honest and above-board manner as president of the corporation. All he would have to do, it seems to me, to cover himself would be to send out over his signature a statement that with respect to the Feeds Act, and so forth, the corporation will do such-and-such and abide by the law in every way. Presumably, that would cover him.

Senator Molgat: Taking the example of two operators of feed mills of approximately the same size operating somewhere near Midale, Saskatchewan, one of whom has incorporated his business and the other has not, the owner of the private business, if found guilty of an offence under this act, will be subject to a fine under clause 10(1), whereas the owner of the incorporated business will be subject, as an individual, to an unlimited fine, as will his corporation. It seems to me that the fine should be the same in each case.

Mr. Hopkins: I am not arguing for this amendment at all. If the committee feels that there should be some modification — perhaps that the chief executive officer should be guilty of a lesser offence than the corporation —

we can change the wording to accommodate the feeling of the committee. It is entirely up to the committee.

The Chairman: Would you care to comment on that point. Mr. Johnson?

Mr. Johnson: Only that we could accommodate the committee in that respect, Mr. Chairman. I see no problem as far as making that change is concerned.

The Chairman: Would you care to comment on the importance, or otherwise, of the point raised? It may be a matter of policy and, for that reason, you may not wish to comment.

Mr. Johnson: It does seem to be a policy question, Mr. Chairman, and for that reason I would prefer not to comment.

The Chairman: Fine.

Senator McDonald: Mr. Chairman, I can understand Senator Molgat's concern with respect to two obviously small mills. I can only presume that Senator Greene was thinking of very large corporations in the feed business. However, even if we are endeavouring to get at the chief executive officer of a very large corporation, all that this proposed legislation would do would be to cause the company to insure the president against this particular action. Whether that would make him any more zealous in his work than he was in the past, I do not know. However, obviously the company would take out an insurance policy on him.

Mr. Hopkins: You cannot insure against a jail sentence.

Senator McDonald: Maybe not, but it can be made attractive enough for someone to take such a risk.

The Chairman: Perhaps we should have our Law Clerk prepare a modified alternative to that which is now before us. Then we will be free to discuss this point in an *incamera* session.

Mr. Hopkins: We will prepare an alternative draft which will place the chief executive officer in the same position as a natural person.

Senator Williams: Mr. Chairman, I have been out of touch with this committee for some time due to problems of travel. What are the potential dangers or possibilities of feeds for animals endangering the consuming public, as a result of a certain type of feed or processing of certain feeds? When the head of a corporation or firm is found guilty of such an offence then, rightly so, he takes the rap rather than finding an underling way beneath him.

Mr. C. H. Jefferson, Director, Plant Products Division, Department of Agriculture: The possibility is always there that a livestock feed may contain some chemical that would produce or result in a residue in meat, milk or eggs, for example, that could be deleterious to health. Is this the area with which you are concerned?

Senator Williams: That is correct.

Mr. Jefferson: I simply mention DES as an illustration of a chemical which has caught the eye of the public in this connection. The chances, however, of this actually happening in practice, in my opinion, have largely been negated by the type of inspection and enforcement action which is carried on, not only under the Feeds Act, but also under

the Food and Drugs Act, with respect to feeds. However, the possibility remains.

Senator Molgat: Returning to the subsection, are we not, by saying that the chief executive officer shall establish that he is innocent, changing the fundamental principle in accepted law that an individual is considered to be innocent until he is proven guilty? In this we say that he must prove that he is innocent.

Mr. Hopkins: That is correct and it does change the burden of proof to the defendant. That is exactly what Senator Greene had in mind. There are precedents for this.

Senator Molgat: There are precedents for it?

Mr. Hopkins: Yes.

Senator Molgat: Such as?

Mr. Hopkins: If you will give me a moment, I will find them.

Mr. Johnson: I have the precedents here.

Senator Molgat: This is the Arctic Waters Pollution Prevention Act, section 20(1), which provides as follows:

In a prosecution of a person for an offence under subsection 18(1), it is sufficient proof of the offence to establish that it was committed by an employee or agent of the accused whether or not the employee or agent is identified or has been prosecuted for the offence, unless the accused establishes that the offence was committed without his knowledge or consent and that he exercised all due diligence to prevent its commission.

Senator McDonald: This can happen only after the corporation is found guilty, is that not correct?

Senator Molgat: I would not think so.

Mr. Hopkins: No; where the corporation is guilty.

Senator Molgat: The amendment reads:

Where a corporation is guilty of an offence under this Act, the chief executive officer of the corporation shall be presumed guilty...

However, you have proven guilt against the corporation.

Mr. Hopkins: You must establish the guilt. I may say that this language was suggested by Mr. Scollin, the Assistant Deputy Attorney General (Criminal Law), when he appeared before the committee.

The Chairman: This draft certainly has the approval of the department, the government and the departmental officials.

Mr. Hopkins: The Department of Justice.

Senator Molgat: It is also important, Mr. Chairman, that it have the approval of the legislators.

The Chairman: That is certainly correct.

Senator Molgat: If they wish to see what is to be a fundamental change by which the innocent are presumed guilty and must prove that they are not. I prefer to look at it, but I want to be sure of what we are doing.

Mr. Chambers: It should perhaps be noted that Bill S-10, as you have it before you, seeks to eliminate all references

in the act to liability within corporations. A section already exists in the act which applies to agents and employees of corporations and Bill S-10 seeks to eliminate that. This is in a sense a replacement for that section, which the department is attempting to have removed from the act as it stands now.

Senator Williams: Mr. Chairman, I think the "without his knowledge" phrase in the present legislation is an escape hatch for the head of the corporation. He is responsible for that corporation and all its activities, so all operations of that corporation are his responsibility and the act specifies that the products of that corporation are also his responsibility. Therefore, I believe it is an escape hatch, whereby the head of a corporation can insist that an offence was committed without his knowledge.

The Chairman: Are there any other comments with respect to this point before we proceed to discussion of the other aspects of the bill? If not, we can open up our discussion. An amendment has been suggested to clause 1 of Bill S-10 to revert to the previous provision of the act; in other words, a suggestion that the first clause was not required. I wondered whether there were any questions from the members of the committee on clause 1 of the bill now before us. Senator McDonald raised a point at an earlier meeting.

Senator McDonald: Mr. Chairman, you will recall that at the original committee meeting dealing with this Bill, I wanted to ask some questions on the wording of the original clause 1(1)(a), (b) and (c), particularly (b) and (c). As soon as I asked the question, this amendment was proposed. At that time I accepted the amendment without further questioning; but on examining the original wording and now the proposed amendment, I am wondering why there is this change in (b), and whether the change in the wording in the new (b) will allow the department to do what apparently they wanted to do under the original wording of (b).

The proposed amendment, which reads:

for consumption by livestock in combination with other materials.

is about as meaningless as anything could be. It does not convey to me the same meaning as the original, which reads:

for providing the nutritional requirements of live-stock,

I wondered why this amendment was brought in.

Mr. Jefferson: Mr. Chairman, with regard to the revised wording of this paragraph in Bill S-10, which reverts to the wording in the current act, it is our understanding that the change which has been proposed is not necessary to provide for the degree and extent of the regulation of feeds that is thought to be necessary. The wording "for consumption by livestock" will, of course, cover anything which is to provide for the nutritional requirements; and, in effect, it covers more than that.

Senator McDonald: Pardon me. Would you say that again—"provide for the nutritional..."?

Mr. Jefferson: The original wording in the proposed amendment—

The Chairman: It is in the explanatory notes. The honourable senator can see clause 1 of the bill now before us,

and also the explanatory notes which repeat the old section.

Mr. Jefferson: It will include anything which is to provide nutritional requirements. So, actually it is broader than the amendment originally proposed in Bill S-10.

The Chairman: But you are still keeping the words "for consumption by livestock" in clause 1 of the bill?

Mr. Jefferson: Yes, and "in combination with other materials." Personally, if it is for consumption by livestock, I have difficulty in seeing that (b) is at all necessary in the presence of (a). However, apparently, from a drafting standpoint, it has some advantage. I am not so sure that I understand the question, actually. Is that the point?

Senator McDonald: No, it is not. I do not understand why you have (a), "for consumption by livestock," and then you have "in combination with other materials."

If I understand it, the reason for (b) in the Bill, as it was sent to us, was to give you control over the injection of nutrient solutions, or solutions possibly administered by mouth to animals. Do you have that control by reverting to the original wording, and, if so, why did you bring in this amendment to give you that control if you already had it?

Mr. Jefferson: Paragraph (c) covers—

Senator McDonald: Let us not talk about (c). I am talking about (b).

Mr. Jefferson: Paragraph (b) does not cover injectables. It would cover drenches, because it does use the words "for consumption by livestock."

Senator McDonald: But that is why you amended (b), to give you that control.

The Chairman: Mr. Jefferson, is there any power under this section that you would not have that you would need? In other words, is it adequate to do all the things you can think of that you might wish to do?

Mr. Jefferson: The major change in the definition of feed is in the first part of that definition, which is broadened to cover things other than only proteins, carbohydrates, fats, minerals, condiments, or vitamins. There are other chemicals that are members, if you like, of other groupings than those mentioned in the old definition. It is covered in the new definition by:

and any other substance manufactured or solely represented for use for consumption by livestock.

We have added some additional words like amino acids, antioxidants, enzymes, non-protein nitrogen products, and pelletizing and colouring agents. Those were not feeds under the old feed definition, and they were not subject to regulation under the Feeds Act.

The new definition will bring those feed ingredients within the definition of "feed". The changes that were made in paragraphs (b) and (c), and the addition of:

or any substance for use in any such substance or mixtures of substances,

on subsequent examination were viewed not to add anything to the breadth of the definition that was not already included under (a), (b), and (c) of the old definition, which is referred to in the explanatory notes.

The Chairman: It is a little confusing to me. In introducing this measure in the Senate, we were given notes by the department giving reasons why these so-called important changes were being made. We then get into committee and the people who asked for the changes come back to us and say, "Well, we do not need them," so some of us are a little suspicious as to what has been going on, as to why they were once needed and now are not. We are wondering whether there is a little bit of strife between departments, or whether there are other reasons.

I am interested in whether or not the original draft in the bill does the job, or would do the job, apart from whether it was necessary or whether the previous wording is adequate. If this bill were on the statute books, would that clause in the bill before us do the job?

Mr. Jefferson: It is my understanding that it would, that it is as broad as (a), (b) and (c) in S-10, and covers the same area as the old paragraphs (a), (b), and (c) in the current Feeds Act. The difference is in the opening words.

Senator McDonald: If what you are telling us now is a statement of fact, then I want to read to you the following. When trying to explain the reason for a new 1 (1) (b), you say:

"For providing the nutritional requirements of livestock"—This paragraph is intended to provide control over injectable nutrient solutions or solutions forcibly administered by mouth to provide nutritional levels of nutrients, such as minerals and vitamins.

If you needed this amendment in order to do that, how can you tell me you have the power to do that without an amendment? There is something screwy some place. Or did somebody, after you made this proposal, say, "Hey, no, you don't need that. We do that in our department"? The same thing is true of paragraph (c). If you had all the power you needed in the old paragraphs (a), (b) and (c), why did you in the material that was sent to us say that you did not have this power and you needed the change in wording in order to carry out the program that you wanted to carry out? I just cannot understand you. Either you had the power before, and therefore there was no need for a change, or you did not have it. I suggest to you that you did not have it, you brought in an amendment to give it to you, now you want to take it out, and you will not have that power under the wording of this proposed amendment before us.

Mr. Jefferson: I will try to explain my understanding of the situation with respect to the rationale for paragraph (b) in the bill as it stands relating to the injectables. They obviously are not for comsumption. It is our understanding that they are in fact covered under the old paragraph (c), since they are for the purpose of preventing or correcting, if you like, nutritional disorders of livestock. In so far as the drench is concerned, it goes down the alimentary canal, if you like, so it is consumed. Granted it is forced feeding. On reflection, it is covered by the current paragraph (b) in the present act for consumption by livestock.

Paragraph (c) of Bill S-10 is:

for the purpose of affecting the biological functions of livestock.

That is a very sweeping authority, and it goes beyond the concept of feed, in the sense of feed providing nutrition. This is where an interdepartmental assessment of this amendment revealed quite clearly these biological functions. It is a veterinary type situation, which is covered

under the Food and Drugs Act, and there is no intention to have any more overlapping authority between the Feeds Act and the Food and Drugs Act than is avoidable, because when one gets into this area, when does vitamin A cease to be nutritional and become medicinal? It is an essential nutrient, yet it also can be used to correct vitamin A deficiency diseases. There is here an area where a product could in effect be both a feed and a drug. We have tried to eliminate this area of overlap, and one might say it is unfortunate that this aspect had not been properly identified before the bill was drafted. However, this is the situation.

Senator McDonald: Would it be true to say that under the bill when it came to us, in paragraph (b) you were attempting to deal with minerals and vitamins, and in paragraph (c) you are attempting to deal with medicants and drugs, but now this proposed amendment is brought in because medicants and drugs are already controlled by the Food and Drugs Act? First of all, am I right in the conclusion I have come to, that there is a distinction between paragraph (b) and paragraph (c) in the original bill, in that paragraph (b) would deal with minerals and vitamins period and paragraph (c) would deal with medicants and drugs, period?

Mr. Jefferson: I am not sure it is quite that way. Paragraph (b) was intended to cover products that were nutritional in nature, irrespective of the manner in which the animal received them.

Senator McDonald: I do not want to get into that area. Nutritional requirement means minerals and vitamins, does it not, in layman's language?

Mr. Jefferson: It can mean carbohydrates, it can mean protein, it can mean sources of energy—minerals, vitamins, enzymes and all the other things.

Senator McDonald: But not drugs?

Mr. Jefferson: No, it would not cover drugs. Nutritional would be the things that the body is built of, if you like. Looking to the future, there are some of these that the animal will not receive by eating.

Senator McDonald: Force fed.

Mr. Jefferson: If they are force fed they are consumed. That is the concept of the term. Some of these can even be inhaled. This is a technical possibility. I am not aware that it is a practical one at the moment, but it is quite possible for some nutritional components to be delivered by the lungs.

Senator McDonald: You are way ahead of me.

Mr. Jefferson: After all, we do not think of this, but oxygen is a nutrient, and that is how we get it, through the lungs. Plants are fed carbon dioxide in the greenhouse by increasing the $C0_2$ content of the air. You can say in a sense it is a food for the plant. It was an attempt to be global in the context of things to nourish and sustain animals, and that was not covered by the word "consumption." The conclusion is that our old paragraph (c), for the purpose of preventing or correcting nutritional disorders, would serve that purpose, so it could cover the injectable nutrients.

Senator McDonald: In paragraph (c)?

Mr. Jefferson: In paragraph (c). This was the conclusion. With regard to things which are, of course, clearly

drugs under the Food and Drugs Act—and that is their role, to prevent, treat or cure disease—there is no intention of bringing them under this bill, because the regulations are already provided for under the Food and Drugs Act.

9:9

Senator McDonald: If those drugs are used in combination with one another and in combination with other foodstuffs, would the end result of that mixture be covered under the Food and Drugs Act?

Mr. Jefferson: Administratively, if that mixture is predominantly for nutrition—and we call these, as I say, a medicated feed—then they are subject to the Feeds Act now, and the drug component is only accepted in that feed. If the drug itself complies with the requirements under the Food and Drugs Act, the Health Protection Branch of National Health and Welfare, through liaison we have with them, must of course be satisfied that the medicated feed in the drug context is also consistent with the Food and Drugs Act. So, we have a product which is subject to two laws, in essence, and from an administrative standpoint there is a very serious attempt made to avoid imposing on the industry from two directions simultaneously and applying two sets of labelling requirements, and so forth.

We try to coordinate our activities so that we can put such things as medicated feeds in a regulatory sense under one act. If it is a drug, per se, then, of course, it comes under the Health Protection Branch of National Health and Welfare.

The Chairman: The Food and Drug people prefer the old wording rather than the new wording?

Mr. Jefferson: That is my understanding, Mr. Chairman.

The Chairman: Mr. Chambers.

Mr. Chambers: Since this act appears to be amended once every decade to bring it up to date with current technology, would you agree, Mr. Jefferson, that stopping at the end of (b) would provide the necessary definition for use in a feed as opposed to reverting to (a), (b) and (c), which speak only of nutrition. If it stopped at (b), it would then speak only of nutrition.

Mr. Jefferson: I think not, and perhaps we are focussing on something else here, too. There can be materials used that are neither nutritional nor drug in context. For example, something which would change the fat colour or would change the flavour, is neither a drug, nor is it nutritional.

Senator Inman: What would it be?

Mr. Jefferson: I do not think there is a name for them as a class of compounds. For example, marigold flowers can be used—I do not know whether they are used in Canada—to change the colour of egg yolk or the colour of the fat covering poultry, and that is all it does. It has no nutritional value. Some people like bright eggs.

Senator Inman: Does it make the egg yolk more attractive, or the poultry meat more attractive?

Mr. Jefferson: It is a cosmetic, yes.

Senator McDonald: It changes colour and taste.

Mr. Jefferson: There may be a change in flavour as well. I cannot offhand think of a compound that is used to change the flavour.

Mr. Chambers: Such substances would be covered, would they not, under "any other substances," as are medicants, for consumption by livestock?

Mr. Jefferson: I may have misled you when I made the reference to medicants that are drugs. In a feed they can also have nutritional components. Those particular components do not have to be nutritional in that sense. Before the feed which contains them would meet the current requirements of the act, they must be shown not to be hazardous or deleterious to the animal or to result in residues, for example, that would be in violation of the Food and Drugs Act. In other words, they are looked at in the context of, for example, arsenic adulterant in a feed, an accidental one. That feed, if it is harmful to the beast, or would result in a residue in the meat or milk, is automatically in violation of the act. In the first instance, it is subject to the act because it is for consumption by livestock and it does contain nutrients. There was some concern expressed as to being able to pick up in the regulations some of these compounds that would be sold directly to a farmer and not incorporated in a mixed feed, which the farmer would, in turn, mix in the ration for his animals. They would not be drugs either. In other words, they are not for the treatment of a disease or prevention of a disease.

Mr. Chambers: But that, surely, is covered under subsection 2 of sections 3 and 4 as containing substances that have an adverse effect on the animal or human health, or the environment. It does not seem to me to have any logical connection with the definition of feed, except that you are preventing those things from being included. They are not defined as to what a feed is; they are defined as to what a feed isn't.

Mr. Jefferson: Well, if they are not within the definition of a feed and not within the definition of a drug, neither of those laws could be applied to them when they are marketed meat, not in combination.

Mr. Chambers: But surely your only concern is that they become a feed.

Mr. Jefferson: If they are for consumption by livestock and they are sold to livestock producers—

Mr. Chambers: Then they are a feed, because they come under "any other substances." Presumably, you are just trying to include them for consumption by livestock in combination with other materials. What is the purpose of the other materials if it is not for nutrition? From the consumers point of view, what are we putting into the beast that it does not need for its own good and that may have some effect on me when I eat it? If it is not for nutrional purposes, what is the purpose of it?

Mr. Jefferson: It may be medicated or it may be for something other than nutritional value. There is no problem from the standpoint of the current authority if these things are incorporated in feeds which then have carbohydrates, protein, and so forth. In other words, if it is a major component of the diet. But if it is a technical product that is relatively pure, as you say, and has no nutritional characteristics per se but is for one of these other purposes, then it would not be subject to this act and would not be subject to the Food and Drugs Act.

Senator McDonald: A good example would be butter colouring.

Mr. Jefferson: Yes.

Senator McDonald: We put colouring in butter because it makes it more attractive; we put colouring in margarine because it makes it more attractive. Why do we feed beer to beef? Because it makes for good steaks.

Mr. Chambers: But beer, I presume, contains a high level of carbohydrates and other substances.

Senator McDonald: But that is not why you feed it to the beef.

Mr. Chambers: But it is feed for consumption by livestock and, therefore, becomes a feed for the purposes of this act. It is not my role to point that out, but it then becomes a feed because it is consumed by the animal.

Mr. Jefferson: If I may, this is where the addition "any other substance" comes in. If it is for consumption by the animal, it is not in the current definition.

Mr. Chambers: But you are not taking it out.

Mr. Jefferson: No, I hope not.

Mr. Chambers: My question originally was what would be the problem in specific detail? You are asking the committee to amend this clause. The amendment you propose would stop clause 1(1) after the word "livestock" in paragraph (b). It would then provide: "for consumption by livestock." You were speaking of previously of substances such as injectables and inhalation, which might come along for nutrition purposes and it seems to me that in the old paragraphs (a), (b) and (c), if the court were to ask for what purposes a food defined, it is defined for consumption and nutrition. That would be the same as if it were not there. Then you would have the future planning to take care of these other aspects in the manner for which, presumably, it was drafted.

Mr. Jefferson: Mr. Chairman, my impression at the moment is that if it were to stop at the end of paragraph (b) that would probably be satisfactory. I go back, however, to the point that this issue might not have arisen at all if we had noticed in the drafting of Bill S-10 that the only change necessary was that contained in the preamble, which left paragraphs (a), (b) and (c) alone. Our position, therefore, is really to recommend that we return to that position.

The Chairman: I do not know what position the committee will take when we get down to actually considering the wording. I myself appreciate that there is a difficult distinction between something for nutrition and something that might come under the Food and Drugs Act. However, as an agriculturalist, it seems to me in a simple way that the officials of the Department of Agriculture under this act are on the job and looking at the feeds. Even if someone in the Food and Drug Directorate should, with their sensitivity, feel that the Department of Agriculture was slightly beyond the powers it should have, that would not bother me as an agriculturalist and a farmer. I would take the view that the Department of Agriculture representatives are out there doing the job and in charge, and to talk about bringing someone else in in a particular situation perhaps would not do the industry any good. If I know agriculturalists, they are not the type of people to abuse the powers they are given-at least, those with whom I have been associated are not. Therefore, it does not bother me in my simple way that the bill before us contains, perhaps, more powers for the Department of Agriculture than any other department would like to see. That makes no fine distinction, but it is simply a practical point.

Are there other comments? We can proceed, then, to discuss a possible amendment to clause 2(4). I believe Mr. Chambers has put that before us and if it is agreeable to the committee we might ask him to explain his thinking. He feels that there is a discrepancy between paragraphs (a) and (b) in the terminology, et cetera, and there might be an improvement made by changing the wording.

Mr. Chambers: In the summary which I circulated earlier this month I refer to section 3(2) and section 4(b). In my reading of these two parts of the act it seemed to me that there were, in a sense, two standards in the act and I did not quite understand why. Perhaps Mr. Jefferson can answer that question, that in subsection 3(2) the requirement for feed consisting of whole seeds or grains of cultivated farm crops, for it to pass a standard so that it can be sold, manufactured or used is that it must only be free from certain prescribed deleterious substances, which are listed in the regulations as aldrin, DDT, dieldrin, heptachlor, toxaphene, and heptachlor epoxide. These, in my understanding, are insecticides, pesticides and seed treatment substances. The same standard is applied in paragraph 4(b), where again they must be free from these prescribed deleterious substances for a feed which is sold by the producer thereof, an individual grower thereof. It appears to me that in both parts of the act the reference is to grains in some form chopped up, without substances added.

This point was raised by the representatives of the Consumers' Association of Canada during their appearance before the committee. They pointed out that there are certain substances that appear in grains spontaneously, such as mycotoxins, which can be toxic and cannot be removed very easily in the food chain. It does not mean in the case of a steer or cow eating grain containing it that it goes through in a process that would get rid of these toxic substances before it goes to the table.

In section 3(3) and section 4(a) there is another standard, which suggests that a feed must be free of substances that may adversely affect human health or the environment. This is a much broader definition than "prescribed deleterious substances." It seemed to me, therefore, that there could be two solutions to the problem which I perceive. With respect to "prescribed deleterious substances" the regulation could be changed to include substances such as mycotoxins, or the act could be changed to provide a broader definition of what must not be contained in a feed such as seeds or grains of cultivated farm crops or feed sold by the individual grower thereof. That could be simply done by providing one standard in the act, that a feed must not contain any substance that would adversely affect animal or human health or the environment. There would then be only one standard contained in the act.

Senator McDonald: You left me a long time ago.

Mr. Chambers: I am sorry, sir; I will try to catch up with you on the way by.

Senator McDonald: What is a mycotoxin, or however you pronounce it?

Mr. Jefferson: It is a naturally produced organic compound. Generally they are produced by fungi under certain conditions.

Senator McDonald: In grain?

Mr. Jefferson: They are produced in many different things. A mould or fungi will grow on damp grain and some of those fungi under certain circumstances can produce a highly toxic compound.

Senator McDonald: My point is, how does a farmer know when that mould does or does not exist?

Mr. Jefferson: There is no way that he can tell.

Senator McDonald: Then I suggest to you that it is rather ridiculous to introduce legislation prohibiting a condition which a farmer does not know exists. It is garbage.

Mr. Chambers: I agree there may be a certain garbage factor to it. The simple fact is, however, that if we were to remove section 4 of this act, which is the intention of the bill, all feeds manufactured or imported into Canada shall be subject to certain regulations, then exemptions would be provided for a considerable quantity of feed produced in Canada. I do not know how much, but practically all the grains that are fed would be involved. There would then be no recourse in law if some severe outbreak occurred.

Senator McDonald: Recource to whom?

Mr. Chambers: For the consumer.

Senator McDonald: Are you going to take a farmer to court because he has a mould in his grain, which somebody ate and was given a tummy ache?

Mr. Chambers: It might do more than give him a tummy ache.

Senator McDonald: That has not happened yet.

The Chairman: I thought originally it was felt that if the farmer took the grain out of his bin and merely chopped it and then sold it, in a sense he was not manufacturing it, he has selling it, and there were no regulations; but if he kept it at home, it is manufactured by the livestock producer and is not offered for sale, the regulations were more stringent on a farmer. If that is not the point, I certainly would not go along with the idea that a farmer could be held responsible for the things that happen with grain because there has been some mould. It might be mould out of the bin or from the combine. It might not have anything to do with his own care of the grain after he got it home.

Senator Williams: Could this mould be created by improper storage?

Senator McDonald: It could be.

Senator Norrie: I read an article at one time which said that.

Mr. Chambers: Is it not observable?

Mr. Jefferson: The fact that grain has mould in it may or may not be observable. That is not to say that all mouldy grain contains these toxins. The only way they can be identified is by a test, and more of this testing is being done all the time. Ultimately it may be possible to correlate weather conditions, and so on, that will allow this problem to be identified and action taken.

Mr. Chambers: There is the point raised by Senator Argue: Are there not two standards—one for the farmer who uses it at home, and one for the farmer who chops it and sells it, in that it might possibly be covered under 4(a) but might not be covered under 4(b).

Mr. Jefferson: I suppose there are two standards in the sense that a person who produces the grain and uses it on his own premises is not subject to the same kind of regulations, and so on, that apply to someone who is selling grain to a second party. He is not bound by the Canada Grain Act and so on. So there are two standards, in that sense. It is born out of practicality. It would not be possible to apply the same feed quality standards that could be applied in the market place to grain and feed which is grown and used on the farm.

Senator Williams: If I heard you right, you are saying that the grain which a farmer grows, stores and feeds to his stock may contain toxins that he does not know of.

Mr. Jefferson: Right.

Senator Williams: And there is no way that this bill will bring him to the point of responsibility of having tests taken of his grain which he is feeding to his livestock to find out whether it has toxic contents.

Mr. Jefferson: That is correct.

Senator Williams: So therefore his beef eventually goes to the tables of the public and it has toxic contents. Am I right or wrong?

Mr. Jefferson: In practical purposes, that would not be the situation. The problem he would have is how well his livestock did on that grain. His rate of gain, and so on, would be reduced in proportion to the amount of these compounds that were present in the grain. The effect would be on the animal. That would be the primary effect. It is also the case, of course, that when that beef is marketed, it becomes subject to the Food and Drugs Act. If it does contain any deleterious material, he is in violation of the Food and Drugs Act. That is the mechanism to protect the public.

Senator McDonald: The beef would be condemned in that case.

Mr. Jefferson: Oh, yes.

Senator Inman: So it would not be consumed.

Mr. Jefferson: That is right. There is nothing to protect him under the Food and Drugs Act in eating the meat that he produces on his own premises.

Senator Inman: If the grain had some mould in it, how much damage would it do? For instance, some moulds do not affect human beings—in cheese, for instance.

Senator McDonald: When you are talking about mould on grain, you could have one little piece of mould on one kernel in 10,000 bushels, or 10,000 pieces of mould on one kernel. This could be brought about before the grain was ever harvested. You could get mould conditions when the grain is lying in the swathe. The cattle could go into the field for pasture after it has been combined, and, in picking it up, they could eat this mould. In my view, if anyone believes we are going to pass legislation to cause farmers to pick up every kernel of grain that has mould on it, he is

foolish. The meat that is produced, as mentioned by Mr. Jefferson, for public consumption, is inspected by either a provincial or federal board. The concern lies in the harmful effects that this mould may have on the rate of grain of an animal. No farmer is going to feed it knowingly if it is harmful to his cattle. I am suggesting there are no cattle in existence which do not get some mouldy substance at some time during their lifetime. They get it off grass, off the roots of trees, off the side of stones. There are many berries on bushes which have mould which cattle will eat.

The important thing is that the beef or pork is inspected after it is slaughtered. Surely that is good enough. The farmer who raises an animal on his farm and slaughters it there can sell it to the general public, and there is no inspection. I suppose there is a risk there, but I have not heard of too many farmers dying of mould recently.

Senator Inman: Can he sell it without inspection?

Senator McDonald: Yes.

Senator Inman: How?

Senator McDonald: You can drive out of Ottawa any time you want and buy a quarter of beef or pork. Slaughter factories are either licensed by the provincial government or the federal government. Those which do not sell outside a province are licensed by the provincial government, and those which have interprovincial trade are licensed by the federal government and inspected accordingly. But there is nothing to prevent me from butchering an animal on my farm and selling you half, a quarter, or even a roast.

Senator Inman: Yes, that is right.

The Chairman: Senator McDonald was for many years Minister of Agriculture in the Saskatchewan government, and a very distinguished one. Are there any further questions on the bill itself?

Senator Norrie: Would he be prosecuted if he were caught selling beef to his neighbour?

Senator McDonald: No, there is no way. There is no law to prohibit a farmer or you from going to a farm and buying a steer, taking it home, butchering it and eating it. There is nothing to prevent you from going to a stock yard and buying a steer at public auction, or a sheep, lamb, or hog, and take it home, hang it up and butcher it. When you go out and shoot a deer, you do the same thing. No one inspects it. I suggest that it never killed anyone.

The Chairman: Senator McDonald, we are getting a very learned lecture on the law, and we appreciate it. I think we would all agree that even if we thought there should be some correction in that field, this bill is not designed to deal with that particular aspect of the situation. If there are other questions, we shall hear them. If not, I suggest the committee adjourn its public hearing and go into an *in camera* session. Is that agreed?

Hon. Senators: Agreed.

The committee continued in camera.

APPENDIX "B"

CANADIAN VETERINARY MEDICAL ASSOCIATION
Brief to the Standing Senate Committee of Agriculture

Mr. Hazen Argue—Chairman

Dog Food in Canada—Standards and Regulations

In the minutes of the Proceedings and Evidence of the Standing Committee on Health, Welfare and Social Affairs, House of Commons, Issue No. 8, Thursday January 28, 1971 Mr. H. R. Leckie, General Manager of the Meat Packers Council of Canada was quoted as saying there were no regulations governing the labelling and/or contents of pet food in Canada except where the plant if federally inspected. (See Exhibit 1) This remark was not made in a discussion on dog food per se but is an illustration of the situation in Canada today. There are a number of packing plants in Canada that come under federal inspection and therefore their products, including dog foods, must adhere to the requirements that animals used in the plant be free of disease. This is not so in many of the provinces. In Ontario it is permissable to use dead and diseased animals in the manufacture of dog food-see Dead Animal Disposal Act (Ontario) 1965. (Exhibit 2)

The standards that the Pet Food Manufacturers Association of Canada claim that their members, which does not include all the pet food manufacturers, adhere to are the Standards of the National Research Council department of the National Academy of Sciences of the U.S.A.—(Exhibit 3—Nutrient requirement of dog (N.R.C.) 1962.) Mr. R. L. Thompson, Executive director of the Pet Foods Manufacturers Association of Canada stated in December 1970 that their Regulation Committee had under consideration regulation pertaining to labels etc. He stated that with so many varieties of dog food, (i.e. dry, moist, semi-moist, gourmet etc.) that it was increasingly difficult to set up standards. (Exhibit 4)

Dr. K. F. Wells, Veterinary Director General for Canada Department of Agriculture stated in a letter October 24, 1969 that his department was working on specific regulations governing dog food manufacturing. (Exhibit 5) Personal correspondence

This same statement was made by Dr. K. F. Wells on a request from the same source in May 1972 as to what regulations existed in Canada and said he now had approval to establish regulations concerning the manufacture and labelling of dog foods in Canada and had had a meeting with the pet food industry. (Exhibit 6) Personal correspondence

On May 6, 1971, after being asked to attend a nutrition seminar jointly sponsored by the Ottawa Kennel Club and the Central Canada Veterinary Association, Dr. James Perry, director, education and development for the Canada Department of Agriculture reported to Dr. Wells, Veterinary Director General. Dr. Perry stated that after attending the nutritional symposium that, although the Pet Food Industry is attempting to establish guidelines through voluntary control it would be difficult to assure uniform compliance to a given set of arbitrary standards. (Exhibit 7) Copy of letter.

In October 1974, Dr. K. A. McDermid, director, Veterinary Services Branch, Queens Park, Ontario, reported that in Ontario there were no regulations that applied to dog

food manufacturing plants not under federal regulations. The Veterinary Services Branch had run spot tests on some dog foods to satisfy themselves that the sterilization process had been adequate to kill all harmful bacteria. (Exhibit 8) Personal correspondence

Dog Food Sales in Canada amounted to \$45-\$50 million dollars in Canada in 1970 and probably \$3,000,000 was spent in advertising. This figure of sales would have more than doubled by 1974 since our numbers have historically been about 10% of American figures and sales in the U.S.A. went from 1 billion dollars to over 2 billion dollars in sales in the same period. (Exhibit 9 & 10—See Globe & Mail May 13, 1970 and Pet Food Magazine Nov-Dec. 1974, page 12). In the U.S.A. over \$58,000,000 was spent on television advertising alone in 1970. (Exhibit 11)

It has been stated that increased regulation would result in increased prices for dog food. This would not appear to be the facts since federal plants have been able to compete with the other plants in dog food sales. In fact it is likely an unfairness to the federal plants to have to compete for the dog food dollar but under different guidelines. Also American brands sold in Canada have held their own and have had to adhere to U.S.A. regulations of manufacturing.

The picture in the past ten years in the United States has been quite different. They appear to have looked at this area very seriously. For a time the aforementioned Nutrient Requirement of Dogs 1962 produced by the National Research Council in the U.S.A. were thought sufficient but then dog food sales took off. People were convinced it was healthier to feed a prepared ration rather than table scraps. The dog food companies, instead of low profile competition, began competing in a much more visible manner comparing brands and selling concepts that were not considered truthful advertising. The "all meat diet" concept was proven to be nutritionally unsound. (Exhibit 12-Dogs Need More Than Meat; The Effect of the Exclusive Feeding of an All-Meat Dog Food; A Comparison of All-Meat, Semimoist, and Dry-Type Dog Foods as Diets for Growing Beagles). The Journal of The American Veterinary Medical Association were advised by one of their committees not to accept advertising from dog food companies whose advertising was not thought to be in the first interest of the dog.

As a result of this type of controversy the "Guides for the Dog and Cat Food Industry" were promulgated February 28, 1969 by the Federal Trade Commission, Washington, D.C. (Exhibit 13) The Guides were originally made public on September 26, 1967 with an invitation to industry members and other interested parties to submit written comments.

A number of provisions of the "Guides" state that industry members in advertising their products distinguish meat from meat by-products. In instances where the by-product content (lips, udders, heart, kidney, spleen, tongue, tripe) was higher than the meat content then the statement on the label should have meat by-products as the first item under contents and that the word "meat" could not be shown on the can in such a way as to mislead the consumer to think the "meat" content was greater than it was.

Another purpose of the "Guides" was to see that the same terminology was used throughout the industry to

avoid deception. The definition of terms are those formulated by the Association of American Feed Control Officials (AAFCO) and the Department of Agriculture.

In 1971 the American Association of Feed Control Officials (AAFCO) gave the American Pet Food Industry until Jan. 1, 1973 to comply or follow ner protocol and gave requirements for foods to be labelled "complete" and "balanced". Some label changes for products already on the market were given an even shorter space of time. (Exhibit 14—Pet Food Industry Magazine Sept-Oct 1971).

Dr. Don K. Collins, Canine Nutritionist in speaking to the Ontario Veterinary Association Convention in February 1972 informed that group that in 1969 it was reported in the Pet Food Industry publication that Canada was about to institute tough, tight pet food product standards and labelling law for pet foods in Canada. He stated that the use of dead, diseased and dying animals in the manufacture of pet foods had been outlawed in the United States for some time. He said there is much to be said against this practice. (Exhibit 15 and newpaper reports of this presentation)

In personal correspondence Dr. Collins also disclosed that the protocol for testing of dog foods for adequacy of contents to see a dog through growth, gestation, lactation and adulthood is very easy to obtain. The costs of such a

program are well within the practical costs of such a program and offered to supply this information if requested. (Exhibit 16)

Dr Paul M. Newberne, professor of nutritional pathology, Department of Nutrition and Food Sciences, Massachusetts Institute of Technology, writes in Pet Food Magazine (May-June 1971 p11) about the need for guidelines in dog nutritional adequacy. (Exhibit 17)

Some of the individual states in U.S.A. have issued their own regulations and they are quite stringent. (Exhibit 18—Virginia Regulations)

Miscellaneous Information:

People eating dog food (Exhibit 19)

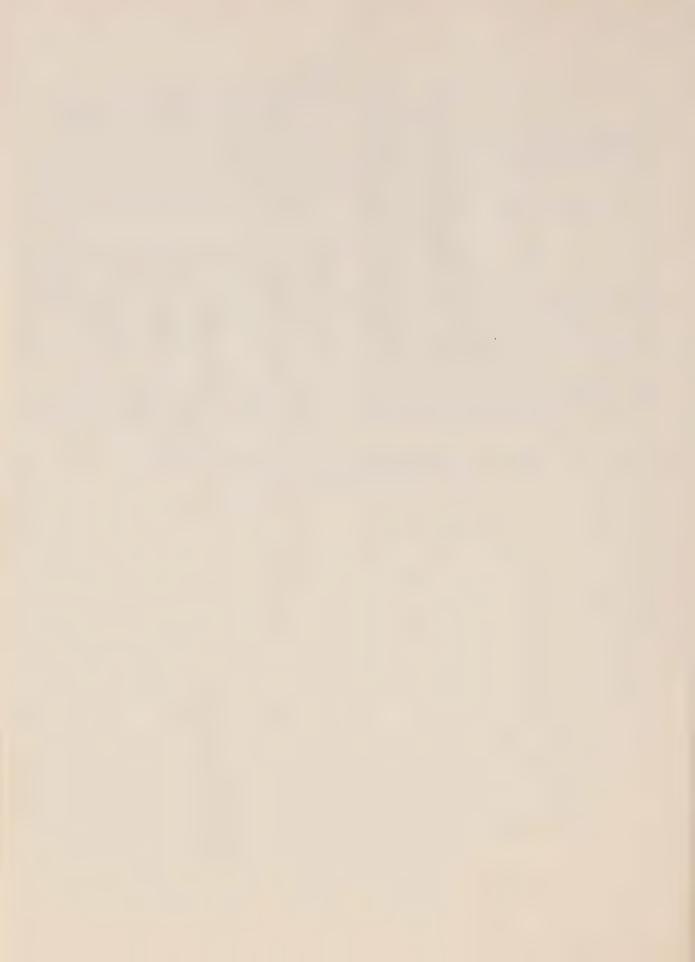
An inquiry into this newspaper article revealed that there was no documentation available in this particular instance. There is no doubt in the minds of a number of people working in and with social agencies that people in low income areas have been known to eat dog food. Further research is needed in this area and may have no particular relevance to the purpose of this paper.

Exhibit 20 shows with a slight exaggeration how a product could be made that would test out at the recommended level of the National Research Council and contain not a calorie of energy. (Exhibit 20)

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada







FIRST SESSION—THIRTIETH PARLIAMENT 1974-1975

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 10

TUESDAY, FEBRUARY 25, 1975

Seventh and final Proceedings on Bill S-10, intituled:

"An Act to amend the Feeds Act"

REPORT OF THE COMMITTEE

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman.

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue
Benidickson
Blois
Côté
*Flynn
Fournier
Haig
Hays
Inman
Lafond
Laing

McElman
McGrand
McNamara
Michaud
Molgat
Norrie
*Perrault
Sparrow
Welch
Williams
Yuzyk—(20)

(Quorum 5)

^{*}Ex officio member

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 23rd, 1974:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Argue, seconded by the Honourable Senator Heath, for the second reading of the Bill S-10, intituled: "An Act to amend the Feeds Act".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Argue moved, seconded by the Honourable Senator Forsey, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Tuesday, February 25, 1975.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 3.30 p.m. to further consider Bill S-10 "An Act to amend the Feeds Act".

Present: The Honourable Senators Argue (Chairman), Benidickson, Fournier (Restigouche-Gloucester), Inman, Lafond, McNamara, Michaud, Molgat, Norrie, Sparrow and Yuzyk. (11)

Present but not of the Committee: The Honourable Senators Duggan and McDonald. (2)

In attendance: Mr. E. R. Hopkins, Law Clerk and Parliamentary Counsel; Mr. Albert Chambers, Research Assistant to the Committee.

A discussion followed and upon Motion of the Honourable Senator Inman it was *Resolved* to report the Bill with the following amendment:

- 1. (a) Page 3: Strike out line 1 and substitute therefor the following:
 - "10. (1) Every natural person who contravenes".
- (b) Page 3: Immediately after line 11 add the following:
 - "(1.1) Every corporation that contravenes any provision of this Act or the Regulations is guilty of an indictable offence.
 - (1.2) Where a corporation has been convicted of an offence under this Act, the chief executive officer of the corporation shall be presumed to be guilty of an offence under subsection 10(1) unless he establishes that the offence was committed without his knowledge or consent and that he exercised all due diligence to prevent its commission."

At 3.40 p.m. upon Motion of the Honourable Senator Lafond, the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Report of the Committee

Tuesday, March 4, 1975.

The Standing Senate Committee on Agriculture to which was referred Bill S-10, intituled: "An Act to amend the Feeds Act" has, in obedience to the order of reference of Wednesday, October 23rd, 1974, examined the said Bill and now reports the same with the following amendment:

- 1. (a) Page 3: Strike out line 1 and substitute therefor the following:
 - "10. (1) Every natural person who contravenes".
- (b) Page 3: Immediately after line 11 add the following:
 - "(1.1) Every corporation that contravenes any provision of this Act or the Regulations is guilty of an indictable offence.
 - (1.2) Where a corporation has been convicted of an offence under this Act, the chief executive officer of the corporation shall be presumed to be guilty of an offence under subsection 10(1) unless he establishes that the offence was committed without his knowledge or consent and that he exercised all due diligence to prevent its commission."

In addition, your Committee desires to make three recommendations arising out of its discussion of the bill and the briefs presented to it.

First, the question of whether dogs and cats should be defined as livestock for the purpose of regulating the manufacture of pet foods was raised by witnesses appearing before the Committee. The Canadian Feed Manufacturers' Association, which represents many pet food manufacturers, requested that the manufacture of pet foods be regulated under the *Feeds Act*. The Pet Food Manufacturers Association of Canada expressed the opposite opinion in its written brief.

Two groups not associated with the manufacturing of pet foods, the Consumers' Association of Canada and the Canadian Veterinary Medical Association, expressed their concern about the quality of the product. It was brought to the Committee's attention that there are no required nutritional standards for pet food in Canada and that these products can contain dead or diseased animals or protein and other nutrients in non-digestable form. These products are only required to be correctly packaged, labelled, weighed and to be free of bacteria.

The pet food industry is of considerable size; gross sales in 1974 were over one hundred and twenty million dollars and growing at 10-20% per annum. Pet owners are spending considerable sums on products, the nutritional quality of which your Committee believes to be irregular.

After considering the evidence presented to it, your Committee concluded that the problem of the nutritional quality of pet foods warranted further study. Your Committee therefore recommends:

That the government give serious consideration to regulation of the nutritional quality of pet foods for the protection of the consumers of these products, their owners, and the health of the population in general.

Second, your Committee investigated the question of whether the additional responsibilities that the Department of Agriculture will have as a result of Bill S-10 would decrease the capability of that department to carry out its current responsibilities under the Feeds Act. These additional duties include the inspection of "integrated feed manufacturing-livestock production" enterprises and of "customer formulae" mobile feed mills. The department could not supply information on the number of units of each type but they are significant. The mobile feed mills will be a special problem for inspectors simply because they are mobile.

The ability of the department to fulfill its current responsibilities appears to be stretched to the limit, with the result that inspections of manufacturers are infrequent. Each feed manufacturing location is inspected on an average of only ten times per annum. However, these infrequent inspections uncover a significant number of violations of the Act and regulations—4,650 in 1972-73 and 4,438 in 1973-74.

Your Committee is concerned that the purchasers of livestock feeds are not now receiving the protection they expect from the Act and that with the increase in duties the level of protection will decline. Your Committee has decided that the resolution of this problem can be initiated by two actions on its part. It has amended clause 3 of the bill to encourage corporations to be more concerned about their manufacturing processes and your Committee, as a second step, recommends:

That the government review the effectiveness of the feed inspection program and give serious consideration to increasing the inspection and technical staff in light of the new and more difficult responsibilities being given the Department of Agriculture.

Third, as the legislation extends the provisions of the Feeds Act to cover all feed manufactured in Canada, it will include many more manufacturers under the regulations. These newly regulated manufacturers will be, for the most part, farmers of both large and small scale. Your Committee and some of the witnesses that appeared before it, particularly the Consumers' Association of Canada, are concerned about the control of ingredients, especially

medicaments, that are added to livestock feed, at both the farm and commercial levels.

These ingredients, which can have a considerable impact on animal and human health and on the environment, are regulated by both the *Feeds Act* and the *Food and Drugs Act*. However, your Committee is concerned that the technical information about these ingredients may not be reaching the farmer. Your Committee therefore recommends:

That the government, through the Department of Agriculture and in co-operation with the provincial departments of agriculture, undertake a campaign to disseminate in a suitable form the technical information concerning the use of these ingredients, especially medicaments.

Your Committee believes that such a campaign would benefit producers and consumers.

Your Committee met seven times to consider this bill and heard the following witnesses:

Mr. C.R. Phillips, Director General, Production and Marketing Branch, Department of Agriculture.

Mr. C.H. Jefferson, Director, Plant Products Division, Department of Agriculture.

Mr. C.L. Stevenson, Chief, Feed and Fertilizer Section, Department of Agriculture.

Mr. J.A. Scollin, Assistant Deputy Attorney General (Criminal Law), Department of Justice.

Mr. W.G. Johnson, Legislation Section, Department of Justice.

Mr. C.M. Bolger, Acting Assistant Deputy Minister, Department of Consumer and Corporate Affairs.

Mr. H.W. Wagner, Director, Consumer Fraud Protection Division, Department of Consumer and Corporate Affairs.

Dr. D.G. Chapman, Assistant Director General, Food Directorate, Department of National Health and Welfare.

Mr. D. Burvill, Compliance Office, Department of National Health and Welfare.

Mr. R.L. Gamelin, President, Canadian Feed Manufacturers' Association.

Mr. C.L. Friend, Executive Secretary, Canadian Feed Manufacturers' Association.

Mrs. Maryon Brechin, Past President Consumers' Association of Canada.

Briefs were received from the Pet Food Manufacturers Association of Canada and the Canadian Veterinary Medical Association.

Respectfully submitted.

Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, February 25, 1975.

The Standing Senate Committee on Agriculture, to which was referred Bill S-10, to amend the Feeds Act, met this day at 3:30 p.m. to give further consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we have before us for consideration Bill S-10. Is it your pleasure to go through the bill clause by clause?

Hon. Senators: Agreed.

The Chairman: Shall clause 1 of the Bill carry?

Hon. Senators: Carried.

The Chairman: Clause 2?

Hon. Senators: Carried.

The Chairman: We come now to clause 3 with the suggested amendment. There has been a good deal of discussion about that. Does anyone care to move that clause 3 of the bill be amended?

Senator Inman: I so move.

Senator Yuzyk: I second the motion.

The Chairman: It has been moved by Senator Inman, seconded by Senator Yuzyk, that clause 3 of Bill S-10 be amended as follows:

(a) by striking out line 1 on page 3 and substituting the following:

"10. (1) Every natural person who contravenes" and (b) by adding after line 11 on page 3 the following:

"(1.1) Every corporation that contravenes any provision of this Act or the Regulations is guilty of an indictable offence.

(1.2) Where a corporation has been convicted of an offence under this Act, the chief executive officer of the corporation shall be presumed to be guilty of an offence under sub-section 10(1) unless he establishes that the offence was committed without his knowledge or consent and that he exercised all due diligence to prevent its commission."

All in favour of the amendment? Opposed?

Hon. Senators: Carried.

The Chairman: We are unanimously in favour of the amendment. The amendment is carried. Those in favour of clause 3, as amended? Those opposed?

Hon. Senators: Carried.

The Chairman: Again, we are unanimously in favour of clause 3, as amended. Shall the title of the Bill carry?

Hon. Senators: Carried.

The Chairman: Shall the preamble of the bill carry?

Hon. Senators: Carried.

The Chairman: Shall the bill carry?

Hon. Senators: Carried.

The Chairman: Shall I report the bill, as amended?

Hon. Senators: Carried.

The Chairman: Thank you very much.

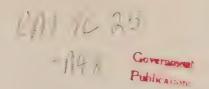
The committee adjourned.

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FIRST SESSION—THIRTIETH PARLIAMENT 1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 11

THURSDAY, MARCH 20, 1975

Complete Proceedings on Bill C-10, intituled:

"An Act to amend the Prairie Grain Advance Payments Act"

REPORT OF THE COMMITTEE

(Witnesses: See Minutes of Proceedings)



THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman

The Honourable Hervé J. Michaud, Deputy Chairman

The Honourable Senators:

McElman Argue Benidickson Blois Côté *Flynn Fournier (Restigouche- Norrie Gloucester) Haig Hays Inman Lafond Laing

McGrand McNamara Michaud Molgat *Perrault Sparrow Welch Williams Yuzyk—(20)

*Ex officio member

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, March 11, 1975:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator McDonald, seconded by the Honourable Senator Fergusson, P.C., for the second reading of the Bill C-10, intituled: "An Act to amend the Prairie Grain Advance Payments Act".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator McDonald moved, seconded by the Honourable Senator Fergusson, P.C., that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier,
Clerk of the Senate

Minutes of Proceedings

Thursday, March 20, 1975

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 10:00

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Inman, Lafond, McElman, McGrand, McNamara, Michaud, and Yuzyk. (9).

Present but not of the committee: The Honourable Senator McDonald.

In Attendance: Mr. E. Russell Hopkins, Law Clerk and Parliamentary Counsel.

The committee proceeded to consider Bill C-10: "An Act to amend the Prairie Grain Advance Payments Act."

Witnesses:

Department of Industry, Trade and Commerce:

Mr. N. A. O'Connell, Acting Chief, Market Operations Grains Marketing Office Mr. D. A. Gibson

Mr. D. A. Gibson Grains marketing Office.

After discussion and upon Motion, it was Resolved to report the said Bill without amendment.

At 10:30 p.m. the Committee proceeded to consider the next order of business in camera.

At 11:00 p.m. the Committee adjourned to the call of the Chair.

ATTEST:

Mrs. Aline Pritchard Clerk of the Committee.

Report of the Committee

Thursday, March 20, 1975.

The Standing Senate Committee on Agriculture to which was referred Bill C-10, intituled: "An Act to amend the Prairie Grain Advance Payments Act" has, in obedience to the order of reference of Tuesday, March 11, 1975, examined the said Bill and now reports the same without amendment.

Respectfully submitted.

Hazen Argue, Chairman.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, March 20, 1975.

The Standing Senate Committee on Agriculture, to which was referred Bill C-10, to amend the Prairie Grain Advance Payments Act, met this day at 10 a.m. to give consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: We have before us this morning Bill C-10, an act to amend the Prairie Grain Advance Payments Act. On my immediate right is Mr. N. A. O'Connell, Acting Chief, Market Operations, Grains Marketing Office, Department of Industry, Trade and Commerce. With him is Mr. D. A. Gibson, Grains Marketing Office. We shall open the meeting with general discussion and questions. If Mr. O'Connell would care to make a brief statement to the committee outlining the general scope of the act, and a little of its history, it will be in order.

Mr. N. A. O'Connell. Acting Chief. Market Operations. Grains Marketing Office. Department of Industry. Trade and Commerce: Thank you, Mr. Chairman. As you can see, this is a relatively simple bill. It does two things: it raises the amounts of advance available to Western grain producers from a maximum of \$6,000 to \$15,000. Additionally, it makes available to cooperative groups or partnerships more than the maximum. This is a new feature in the act. Prior to this, cooperatives, particularly, were in a sense discriminated against in that they could only take out the maximum advance for a single producer; whereas in the case of a number of these cooperatives, they have much more grain on hand, which would justify a larger advance, and have also a larger operation and larger expenses.

On the one hand, the maximum itself is increased to reflect increased operating costs for producers; and, on the other, a larger advance is made available to groups of farmers who are in a joint venture, who are in farming together, whether they be a cooperative or some other form of partnership. I do not think there is a anything further that I can say at this point.

The Chairman: Are there any questions?

Senator Yuzyk: When speaking to the bill in the Senate, I was a little concerned about those well-to-do farmers who could make use of these advances for their personal interests. I had been informed, of course, that most farmers would not be in this position, but some could be. Particularly those in the \$45,000 range could take these advances and invest them elsewhere at 10 per cent and get quite a rake-off. Has this been practised to any degree worthy of attention?

Mr. O'Connell: Not to any significant degree. I would say there are always exceptions, but I think that by and large there has been very little incidence of this sort of

thing. Of course, there are some penalties for this, because, if you take out the advance, the act says that the method by which you will pay is by delivering grain. You can choose to repay it by a cash payment. In that case, you are penalized by paying interest also.

Of course, if an individual chooses to take out the advance and uses it in whatever way he chooses, but does not have the grain to deliver, the advance then goes into default. Again, I think the penalty for a large advance is rather significant. In this crop year, for example, the rate of interest on advances in default is about 12 per cent.

Senator Yuzyk: So these penalties would be deterrents, in many ways. Has your department received any complaints about such practices?

Mr. O'Connell: Not really, no. It occasionally comes up more as an academic point, but I do not believe we or the minister have ever had drawn to our attention an individual case of this.

Senator McNarmara: If my memory serves me correctly, after the producer takes out an advance, when he delivers any grain automatically 50 per cent of the proceeds are applied against the advance.

Mr. O'Connell: At the moment, the rate of advance is fixed at two-thirds of the initial payment over the year in question and the rate of repayment is the same.

Senator McNamara: Another deterrent against the producer taking the advance and investing it is that he cannot deliver grain without two-thirds of the proceeds being applied against the advance. That seems to me to be a deterrent against taking an advance on a speculative basis.

Senator McDonald: Is the figure for the repayment two-thirds?

Mr. O'Connell: Yes, approximately. It is rounded off.

Senator McDonald: Two-thirds of the cheque the producer receives on delivery of grain goes to the repayment of the advance?

Mr. O'Connell: That is right, on a per bushel basis.

Senator McDonald: When did that change take place?

Mr. O'Connell: It was amended, I believe, in 1971.

Senator McDonald: And prior to that amendment it was 50 per cent, was it?

Mr. O'Connell: Prior to that amendment, it was half, yes.

The Chairman: It is also true, is it not, that the maximum advance for wheat is \$1.50? In other words, if the

initial price happened to be higher, the advance would still be limited to \$1.50?

Mr. O'Connell: No, the guiding rule is two-thirds of the initial payment. It is a little more technical than that. If you want to be precise, it is based on two-thirds of the initial payment for the grade of grain which it is estimated will be delivered in the greatest quantity during that particular crop year.

Senator McDonald: And in 1974 that would be \$1.50 a bushel for wheat?

Mr. O'Connell: That is correct.

Senator Yuzyk: I am satisfied that the use of the cash payment system is kept at a very minimum and pretty well under control. My other question relates to the role of the elevator agent. It is my understanding that the elevator agent is the judge in any particular community.

Could you outline the role of the elevator agent? It appears to me that he certainly has a very responsible function and could be open to a great deal of criticism.

Mr. O'Connell: The elevator agent, in effect, acts as an agent of the Canadian Wheat Board. The Canadian Wheat Board, of course, administers the act on behalf of the government, and the local elevator agent acts for the board in this respect.

The application for an advance does have to be witnessed, notarized, and so forth, but the local elevator agent does have a very important role. He is the man on the spot. By the same token, he also knows the farmers. He knows those who would not be eligible for cash advances, and I think he uses his judgment accordingly. If there is some doubt about a particular application, it can be referred to the board before the advance is actually made and some investigation of that particular situation can be carried out.

Senator Yuzyk: Have there been any complaints, to your knowledge, as to mistreatment on the part of some agents?

Mr. O'Connell: No. If there are any complaints, they usually arise out of a misunderstanding or lack of understanding on the part of the producers as to the fine print, if you like, in the act. The average producer, as one would expect, hardly ever looks at the act itself. Many of them have seen a copy of it, but they sometimes have difficulty getting beyond the penalty clause. Not all of them read the entire act, and any complaints that do arise generally arise in that context.

Senator Yuzyk: Is the elevator agent employed by the Canadian Wheat Board for this purpose?

Mr. O'Connell: He is not employed by the Canadian Wheat Board. The elevator companies have an agreement with the board to perform this task on behalf of the board. Traditionally, it has been looked upon as a service which the elevator companies perform for their customers.

Senator Yuzyk: And this was instituted right from the beginning in 1958?

Mr. O'Connell: That is right, 1957-58.

Senator Yuzyk: You have had a great deal of experience in this field and you have found that the elevator companies are fully capable of administering this aspect of the work and that the farmers are reasonably satisfied with it.

Mr. O'Connell: Yes. I think the record of the act to date would certainly bear that out. We had one or two bad years, being 1969-70 and 1970-71, but they resulted from the market and climatic factors. Looking back over the history of the act itself, in terms of advances and repayments made, I think it is fair to say that it has been fairly close to 100 per cent. That would certainly indicate that the administration has been good.

Senator Yuzyk: Personally, I think this is a good bill and should go through.

Senator McNamara: I have a supplementary to Senator Yuzyk's question. I think one of the points which should be brought out in answer to Senator Yuzyk's question is that the grain business is still competitive, although not to the extent it used to be, unfortunately. There is still competition between the elevator companies and that competition extends to servicing their customers in such a way as to attract more customers.

Another point which I think is important is that the elevator companies assume responsibility for a share of any losses that might be incurred. For example, if an agent gives a big advance to someone he knows and there is a loss, the elevator company assumes a share of that loss. If it were a system where the elevator companies had no financial responsibility, the agents might dish out these advances with less care. While it is a little extra work for the agents involved, it is a service to their customers.

As Senator McDonald pointed out, these advances are usually given at the beginning of the crop year, when the agents are out hustling business and trying to find out which farmers will have grain to deliver. I think it is very important that the elevator companies have a responsibility for any losses incurred by the board with respect to advances granted by their agents. That system, to my mind, has contributed to the very great success of this program.

Mr. O'Connell: There are two sides to that responsibility. An agent who makes a mistake through his own reading of the act is held responsible by the elevator company for any loss. In other words, the agent becomes responsible to the company for a particular mistake. The companies themselves are not held fully responsible. In the case where a producer goes into default and it is found to be a mistake on the part of the agent in his administration of the program, then the agent himself is responsible to the company.

The Chairman: There was some suggestion in the House of Commons that the elevator agents should be compensated for this service. My own view is that they are providing a service to their customers within regular working hours, and in that sense it is not extra work. When they are busy writing up applications for cash advances, it means that there is no grain being hauled, so they probably have an adequate amount of time to do this kind of thing. It is a service that they are rendering to their customers, and a good one.

Senator Yuzyk: Have they demanded compensation for this type of work?

Mr. O'Connell: To be fair, I think they have brought it up occasionally. So far, they are treating it as a service to their customers.

Senator McNamara: The elevator companies have brought it up in negotiation, but not individually in any agreement with the Canadian Wheat Board.

Senator McDonald: Mr. Chairman, there is one further point that I think should be recognized. Many elevator companies today in the country elevator system are in the farm supply business and many of them are very happy that their agents can make a cash advance to farmers, because there can be circumstances where the farmer might owe the elevator company for supplies that he has bought throughout the year, and it is an excellent opportunity for the elevator companies to collect on some of those debts. If the elevator companies want to argue this point, I would be glad to take the other side of the question.

Mr. O'Connell: Nobody says that, but that is quite true.

The Chairman: The actual time involved in processing an application for a cash advance is not great. I should think 15 or 20 minutes would take care of it.

Senator McDonald: As you have already mentioned, Mr. Chairman, it comes at a time of the year when the amount of grain being delivered is extremely limited. If the elevator is empty, the company would be buying grain, not making cash advances, and when they are making cash advances it is because grain movement is restricted. Any elevator agent I know is quite happy to be able to do this.

The Chairman: I have heard no complaints anyway.

Senator Yuzyk: Does the Canadian Wheat Board keep track of all these defaults, who is involved and so on? I would gather that most of these defaults are rectified in the end.

Mr. O'Connell: Yes, the board does keep track of them. As I say, the record of this would include defaults that are eventually collected. It may take some time, but the record of repayment is around 99.9 per cent for most years.

Senator Yuzyk: That is excellent.

The Chairman: As long as you are in the grain business and have a permit book, if they don't get you at one point they will get you at another. The only way they might get out of paying some of it would be to get out of the business and go bankrupt. The repayment rate must be the best in the country for any loan of any kind.

Senator McDonald: There is one question I should like to ask with respect to off-board deliveries. What is the situation there with respect to repayment? Suppose a farmer takes a cash advance. In recent years it has often been possible to deliver off-board grain early in the fall to a larger extent than grain could be delivered to the board. What is the provision for repayment from off-board deliveries?

Mr. O'Connell: Currently the repayments are made only on deliveries to the board grain. I am sure you will be aware of a bill which has just received first reading in the other place dealing with this question. I am not sure of its number, but perhaps it will come here in due course.

Senator McDonald: Let me make it clear. At the moment it is only repaid through deliveries to the board.

Mr. O'Connell: Right.

Senator McNamara: Mr. O'Connell, could you bring us up to date on the figures for loans and repayments for 1973-74? I have the 1972-73 figures.

Mr. O'Connell: Do you want it in round figures?

Senator McNamara: Yes.

Mr. O'Connell: In 1973-74 the total amounts advanced were \$35.3 million; of that \$34.2 million has been repaid.

Senator McNamara: Do you have the figure owing to the Wheat Board on July 31, 1974?

Mr. O'Connell: This is as of January 31, 1975. On that year there is \$1 million outstanding. The number of advances that year was 12,510.

Senator McNamara: Thank you.

Mr. O'Connell: I can give you the current year up to the end of January, if you are interested.

Senator McNamara: Sure.

Mr. O'Connell: For the current year, up to the end of January: \$44.7 million advanced, \$17.9 million repaid.

Senator Yuzyk: This would be the highest on record.

Mr. O'Connell: No. The highest year was 1969-70. As I mentioned a while back, that was a bad year in terms of marketing, and for a number of other reasons. The total advance that year was \$272.8 million, which was by far the largest year ever.

Senator Inman: What percentage of that was repaid?

Mr. O'Connell: 99.6 per cent of that was repaid.

Senator McNamara: I understood you to say that for 1973-74 \$35.3 million was advanced, and so far this crop year it is \$34.7 million.

Mr. O'Connell: Correct.

Senator McNamara: Have you been able to ascertain why the grain is moving slowly and the percentage of deliveries is down?

Mr. O'Connell: I guess it is a combination of factors.

Senator McNamara: Deliveries are down this year.

Mr. O'Connell: Deliveries are down.

The Chairman: Are there any other questions at this point?—If there are no other questions, are we in a position to take the bill clause by clause?

Senator McNamara: Before we do that, Mr. Chairman, I would like to make a personal statement for the record. I favour this bill and will support it. At the same time, I have some concern about the progress of this kind of legislation, not that I think much can be done about it. I go back to the early days of the pooling, the wheat pool in 1924, 1925 and 1926. At that time, unfortunately, they did not follow the basis of operations themselves, because in 1929 they got the initial payment too high. This increase and getting more money to the farmers at the beginning of the crop year can work against the pooling system, because we will not always have accelerating prices, going up and up. Some day we will have to get back, if we are to keep the pooling system alive, to realistic initial payments, followed by an adjustment payment if the crop year war-

rants it, and then a final payment. If we try to get out too much money in the early stages we will have to discontinue the operation of the pooling system that the board is operating on.

The other point I want to make is associated with this. When you start raising the cash advances to \$15,000, or \$45,000 for crop farmers, once again you are following the same principle. Some day, when the prices come down—and I am satisfied that some day they will come down and become more realistic—it will become much more difficult to lower the limits, and there may be a time before the limits could be lowered that could hazard the whole operation, including this cash advance system, which in my opinion has worked out wonderfully well.

I would just like that to be on the record. I am concerned about this trend of pushing the money out in the fall instead of following the pooling system, where the income for the producer is pretty well averaged over the year, instead of trying to get it all at one time. In my opinion, this could destroy the whole principle of grain pooling.

The Chairman: Yould you care to make a comment on that. Mr. O'Connell?

Mr. O'Connell: Just one point. In the sort of year you mentioned, senator, if prices went down the rate of advance would more than likely also be lower, and it would take a lot of grain under those circumstances to work up to getting a lot of money.

The Chairman: Suppose the price of grain did fall very drastically, and suppose there was a loss in the Wheat Board operation, to the extent that the Wheat Board did not recover the initial cash advance, what would be the situation there? Suppose there was an actual loss, who makes up that loss?

Mr. O'Connell: Under those conditions the Treasury makes up the difference.

The Chairman: And there is no future charge to the farmer?

Mr. O'Connell: No.

Senator McNamara: They would let the law take its course through the Federal Court.

The Chairman: I am just saying on the initial price itself, if there is a loss, apart from the advance payment.

Senator McNamara: This happened a few years ago.

The Chairman: Are there any other comments or questions at this time?

Senator McDonald: If the cash advance is not fully paid out on August 31, at the end of the crop year, then the repayment privileges carry forward into the next year.

Mr. O'Connell: Depending on circumstances, if in a given crop year, for example, there has been ample opportunity to repay, meaning that quotas are open and it is obvious that the producer has had a chance to repay, while he was still apt to repay the advance he may also be placed in default.

Senator McDonald: I was thinking of that case. If I remember correctly, there was one year when in some areas the delivery quota by the end of the crop year had not been sufficient to repay the advance. If I remember aright, the privileges were carried forward into the next crop year, and there was no interest charged.

Mr. O'Connell: That is right.

Senator McDonald: Provided he had delivered all the grain he could.

Mr. O'Connell: That applies to the bad year we were discussing, but that was a special circumstance and it is not part of the legislation.

The Chairman: Are there any other questions? Is it your pleasure to take the bill clause by clause?

Hon. Senators: Agreed.

The Chairman: Does clause I carry?

Hon. Senators: Carried.

The Chairman: Does clause 2 carry?

Hon. Senators: Carried.

The Chairman: Does the title carry?

Hon. Senators: Carried.

The Chairman: Shall the bill carry without amendment?

Hon. Senators: Carried.

The Chairman: Shall I report the bill without amendment?

Hon. Senators: Agreed.

The Chairman: We will now go into an *in camera* session. Our steering committee met and we have a report to make to the committee itself with respect to our future work.

The committee continued in camera.















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FIRST SESSION—THIRTIETH PARLIAMENT 1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman
————

Issue No. 12

TUESDAY, MARCH 25, 1975

Consideration of the Annual Report of the Department of Agriculture for 1972-73.

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman.

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue
Benidickson
Blois
Côté
*Flynn
Fournier
Haig
Hays
Inman
Lafond
Laing

McElman
McGrand
McNamara
Michaud
Molgat
Norrie
*Perrault
Sparrow
Welch
Williams
Yuzyk—(20)

(Quorum 5)

^{*}Ex officio member

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate.

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier,
Clerk of the Senate.

Minutes of Proceedings

Tuesday, March 25, 1975

Pursuant to adjournment and notice the Standing Senate Committee on Agriculture met this day at 9:00 a.m. to consider the Annual Report of the Department of Agriculture for 1972-73.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Inman, Lafond, McElman, McGrand, McNamara, Michaud, Sparrow and Williams. (10)

Witnesses:

Department of Agriculture:

The Honourable Eugene Whelan,

Minister.

Mr. S. B. Williams,

Deputy Minister.

Mr. G. M. Gorrell,

Director,

Crop Insurance Division.

In attendance from the Farm Credit Corporation:

Mr. A. H. Holmes,

Director of Lending Branch.

Mr. J. M. Day,

Director of Loan Administration

and Special Programs Branch.

Upon Motion of the Honourable Senator Michaud, it was *Resolved* that further information concerning various agreements outlining types of coverage in the various provinces, be printed as an Appendix to the proceedings of this day, if available in time. (This information appears as Appendix "A").

It was *Agreed* that the Committee invite the Canadian Federation of Agriculture to make its annual presentation and it was further *Agreed* to invite provincial ministers of Agriculture and representatives of provincial crop insurance boards to appear before the Committee on the matter of crop insurance in Canada.

At 11:15 a.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, March 25, 1975.

The Standing Senate Committee on Agriculture met this day at 9 a.m. to give consideration to the 1972-73 Annual Report of the Department of Agriculture.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we are delighted to have with us this morning the Minister of Agriculture, the Honourable Eugene Whelan; the Deputy Minister, Mr. S. B. Williams; Mr. A. H. Holmes, Director, Lending Branch, Farm Credit Corporation; and Mr. J. M. Day, Director, Loan Administration and Special Programs Branch, Farm Credit Corporation.

Since this committee was established in the Senate a few years ago, it has been our practice to have the Minister of Agriculture appear before us from time to time to give us a general statement on what he considers to be of current importance. As a means of doing that this morning, we have referred to ourselves the last annual report of the Department of Agriculture.

Just as an aside I should like to say that it was our privilege this session to study the Feeds Act. We made certain amendments to that which we think are rather forward looking, and we wonder if the Commons will be quite as forward looking as the Senate when it considers amendments. In any event, we were delighted to consider and to suggest improvements in the Feeds Act.

We intend, at the appropriate time, to consider the matter of crop insurance in the hope that we can put forward recommendations, or at least obtain opinions, on how the act itself might be used more effectively or how changes might be introduced in the future.

I know I speak for all of the senators, sir, when I welcome you warmly this morning and ask you to make whatever remarks you feel appropriate.

The Honourable Eugene Whelan, Minister of Agriculture: First of all, Mr. Chairman, I should point out that I have no prepared presentation to give you this morning. I know honourable senators have several questions they would like to ask about some of the things we are trying to do in our department, and I will do my best to answer those this morning. I should like to point out that the farm credit legislation received the final approval of the Commons committee and has been sent back to the house for third reading. We hope that it will be sent to the Senate today so that we can have it enacted and in effect for April 1. We appreciate the fact that your committee worked on the two bills we sent here. We still have not put those through the Commons, but, as far as we in the Department of Agriculture are concerned, those are important bills.

The stabilization legislation is, as you know, a most controversial piece of legislation. It is one we have talked

about amending and improving for several years now. Some people consider that it is not what it should be, that it does not go far enough, that it does not do the things which everybody wants it to do. Others take a different stance. I think anyone from the Maritime provinces—and I see several committee members from that area here this morning, Mr. Chairman-knows what can happen if there is a price which creates an incentive for production greater than the market. It creates a terrible problem, because in that situation the returns to people are less than if they had a short crop. It goes back to the old adage that I heard as a boy. A farmer would say that he would rather have, always, only half a crop, because he would then have half as much work to do and, generally, would make as much money. So it is a case of overproduction being uneconomical in most cases.

We have heard rather too much about the cause of inflation being people who are not productive enough. You certainly cannot say that about most farmers in Canada today. It is far easier for a farmer to be ruined by over-producing than by under-producing. In terms of production, some of our programs are especially geared to making efficient producers out of otherwise inefficient producers in given commodities. For example, when one deals with perishable crops one has to be concerned about production. Most people think our stabilization legislation will be the sort of thing that enables people to be paid for inefficiency. That is a completely false notion. We have no intention of providing any kind of program which would pay people for doing nothing. Our stabilization legislation is intended to look after planned production and planned marketing for both domestic and foreign markets, and it will be concerned especially with perishable products. It is our hope that we will be able to integrate into this even our world food aid programs and so on, for those commodities which we can use for world food aid. Naturally, not all commodities produced in Canada are capable of being used for world food aid. For example, I am reminded of one commodity right at the moment, because when I leave this meeting I will attend another meeting, with ministers from New Brunswick and Prince Edward Island, at which we will consider the problems surrounding the production of potatoes. People say, "What a shame that all those over-produced potatoes cannot be used in world food aid programs. There is an overproduction of potatoes in the United States, too. There are very few people who can use this kind of commodity in world food aid programs. This is a problem.

Money is always involved in using products for world food aid programs. Last year, when we had the problem of the commodity called eggs, I received hundreds of letters—possibly more than a thousand letters—saying, "We did not think it was so bad. You know, what you are trying to do is not so bad. But why did that not go into world food aid?"

We did corral the egg processing plants, et cetera, that would allow the eggs to go through the processing facilities, and did put a substantial amount into world food aid. But \$1 million spent on world food aid programs has to be used on the foods that will do the most good, and where the dollars will go the furthest. They will go the furthest in wheat. For instance, \$1 million spent on wheat will take care of 500,000 children for a month at least. If you spend it on milk powder it will tale care of 300,000 children for about a month. If you spend it on egg powder, it will take care of 100,000 children for a month. This is a very hard thing to put into world food aid programs.

So these are some of the things we are faced with. We are faced with a world surplus of beef at the present time. We have depressed prices for beef, and no supply management program, again, in this commodity. We have an overproduction of turkeys, we have an overproduction of broilers in North America, we have an overproduction of eggs at the present time. Do we have an overproduction of pork? No, I do not think so, because even with the stabilization program that some of the provinces have initiated, this is a problem we are faced with.

The provinces are putting in income insurance programs and stabilization programs of their own, but hoping to God we get ours passed so we can supplement their programs. In Saskatchewan, where they had the highest support program for hogs, however, they had the greatest reduction—over 29 per cent, in one year—in hog production. I think Alberta was next, and then down the line. In eastern Canada your product went down by almost one per cent, but over the whole nation it averaged out close to 9 per cent, with pork production going down. Now, there is a stabilization and a floor price for that that guarantees, as far as we are concerned, that the farmers will not go down the drain with that program.

Mr. Chairman, those are some of the things I had in mind. I have just touched on them lightly. As you say, the officials are here from Farm Credit. This farm credit legislation, or the main amendments of it, is specially geared to young farmers between the ages of 18 and 35 who have the will to farm but probably very little capital.

The Chairman: Thank you very much, Mr. Minister. I would just like to ask one brief question.

To what extent, under the stabilization program, do you hope to implement policy by regions? I have your speech here in front of me. Are you hoping you will be able to provide a support price, let us say for potatoes, or a return for potatoes, stabilizationwise, that will be the same in New Brunswick, Nova Scotia and Prince Edward Island?

Hon. Mr. Whelan: For those products produced within one province there is no difficulty at all in calling that a region and working a program out with the producers and the province, if necessary, itself, or we can put it into effect solely on our own if we want to; but we would rather see producers participate in provincial programs. For potatoes in Canada you would have to have four provinces to make it work. It would not work with Prince Edward Island and New Brunswick alone. You would have to have Ontario and Quebec, because markets for those products are in those provinces, and they affect one another through their marketing skills, whereas in western Canada you could use the three prairie provinces that produce potatoes, and you could call that a region, because those markets do not affect one another. They have not done so as of yet, anyhow.

You can use commodities, for instance, that may be in the Annapolis Valley, or the Niagara district, or some place like that, that are solely a product within the boundaries, again, of that province, or part of a province, and if the product is so small outside of it that it would not affect its market, you would not necessarily have to take that into consideration.

I think there are many commodities that you can do that with, but when you come to commodities like eggs, it would have to be a national program. It would have to be on a national scale if you were going to use a stabilization program for eggs. We have not named eggs because we felt that eggs do have a national marketing agency, and that agency can do the job that is necessary if they want to work together.

The other day we met the provincial ministers of agriculture, with all the signatories to the agreement on eggs. Every one of them agreed that national marketing was a must on eggs. They said, "It has not been perfect, but we do not want to go back to where we were two years ago." But then, when it comes to national prices or quotas. some of them say, "Hold. We do not want to go that far."

Well, they just cannot have it both ways because it does not cost any more to feed a chicken in Nova Scotia than it does in British Columbia or New Brunswick or Ontario. The prices do not vary any more than about, at the very most, at the present time, \$8 a ton in feed. I have all the prices that are given to me every week from all across Canada by the Canadian Livestock Feed Board. There is too great a discrepancy, even including transportation costs, for the commodity at the present time, going from 50 cents to something like 90 cents a dozen from the low of Manitoba to the high of Newfoundland. Mr. Williams tells me it is 84 cents a dozen, so that is quite substantial. That is a differential of about 34 cents a dozen. That takes care of an awful lot of transportation and any discrepancies that exist in other energy costs, including electricity, gas and feed. You did not expect that long an answer, Mr. Chairman.

The Chairman: No. It was an excellent answer, if I might say so.

We have with us this morning, in addition to the officials I have mentioned, Mr. Gorrell, who is the Director of Crop Insurance for Agriculture Canada. We will be hearing from him at a later time this morning, but he is perfectly free to take part in the discussion at any point he thinks he should.

Senator Lafond: The minister stated that following the implementation of the stabilization program on hogs in Saskatchewan the product decreased considerably. Does one result from the other? And, if so, will you explain to a layman how that comes about?

Hon. Mr. Whelan: Well, senator, I think that one of the problems in Saskatchewan is that it gets awfully cold in the winter, and when the price of grain is good, why should you feed hogs for nothing when you can sell your grain and not put up with some of the things that they do have to put up with? The frost went down at one time in the ground to the extent of six and seven feet. All the water lines, et cetera, froze if they were not fully enclosed. Indeed, it froze their whole facilities, including their wells, and even everything in the buildings, so that they had a terrible time there for a month or so with this problem. The hog support program, I think, cost the province of

Saskatchewan between \$12 million and \$14 million, and they are very disappointed, because they did want to see stable production of pork. They were hoping to develop long-term contracts, you see, overseas. I do not know if Saskatchewan has done as much even as Manitoba and Alberta to try and develop markets, but Manitoba and Alberta both had programs that were not as good as Saskatchewan's. I say they were not as good. What I mean is that they did not give the hog producer the return that the Saskatchewan program did. However, their product went down, but not as much as Saskatchewan's, because their longer term producers geared to it more. So it is difficult to explain why they did not stay in it. I think a lot of people feel, and I have said it in some of the speeches I have given in western Canada, that they should be prepared for the future.

When I first became minister I said that these prices could not last forever, for grain, et cetera. Pork is a fairly good converter of grain to meat, so I think the province of Saskatchewan wanted to see that continue. That is about the basic answer, I think, that the returns were not great enough in some instances. They did not give them anything for their labour. They gave them hardly anything at all, so the farmers just said, "Why should we produce pork? We just cannot do it and get anything for it. We might as well sit by the stove rather than go and freeze our toes outside taking care of hogs and getting condemned by many people for the high price of pork."

What is happening with regard to these commodities is happening with regard to other services that we have in society. For instance, more and more of us have to shine our own shoes, and this type of thing. There are a hundred thousand jobs or so in Canada that nobody wants to do at the present time, even with the high unemployment rates that we have. The same thing exists with regard to some forms of food production. For instance, California has given notice that there will be no exports of lettuce, and this type of thing, I think, by 1983, to British Columbia and those areas. If you want lettuce for your tables you are going to have to do without because they do not have enough land to produce food for their own people, so there will not be any exports out of that area. We in other parts of Canada depend on a fair amount of California produce for our table, because people do not want to do that kind of work and because of the shortage of land. Anything that has to do with hand labour is rapidly disappearing and is going to become higher in price.

Senator Lafond: While the stabilization program in Saskatchewan did not live up to expectations, the reduction in production was not the result of that program; it was the result of other things.

Hon. Mr. Whelan: Yes.

Senator McElman: Mr. Chairman, with respect to potato marketing, I think it can be said that the recent blunt comments of the minister about marketing assistance struck rather a responsive chord in the east, as it should have done. But there is still very great concern as to whether, if such a system is established, we have adequate protection against the inflow of large quantities of potatoes from Maine and other areas, understanding, of course, the need for a *quid pro quo* because of the amount of potatoes going south. Do we have an adequate protection in a marketing system of that kind?

Hon. Mr. Whelan: Yes, if you have proper supply management of potatoes, or of any other commodity, and you

are running a proper program, then you will not get into any real trouble with your trading partners. This is particularly the case if there is no government money involved, if it is producer money running their own program. But we export more potatoes than we import, even today, so this is an argument that has been used when people have said that we issue permits. But all we import are Canadian No. 1 potatoes, while the United States accepts from us No. 2 grade. The ones from Manitoba, I have been told, are all under contract at \$3 a hundredweight bulk delivered. We also have a big movement of processed potatoes and bulk potatoes from Alberta into the northern states. They have a tremendous problem of surplus potatoes in Idaho where they are talking about burning potatoes at the present time. But we can do these things and keep the situation under control. There is an old policy that has been used for a long time and is in use today, and here I am thinking of the situation with broilers and things like that. Sometimes it is not a bad thing if producer prices get too high to be able to find another commodity to bring in and put on the market at the same price. We have had the same thing in our butter programs, and they are talking about the same thing in our energy programs. You bring butter in from New Zealand or from Ireland, and the price of some of it may be higher and the price of some of it may be lower—because butter did get over \$1.20 a pound in Ireland a year or so ago-but when we bring it in, it must go on the market at 87 cents a pound or whatever the price may be at that time. It cannot go on the market at any greater price or at any lower price; it must go on the market at that particular price. People say that that is bad, but when butter increased 25 per cent, at the same time margarine increased 61 per cent. There was no control on that commodity or anything else at all at that time. But at the present time with potatoes we can be about 50 per cent per hundred weight over the United States without any control at all because of tarif and transportation charges, but we are not at the present time because there is utter chaos existing in the potato market. Everybody is scared to death and in some cases they are ready to give them away. We have had farmers in Quebec and Ontario who had potatoes in storage and did not know what to do with them either. They sold about threequarters of their crop last fall so they are in a better position than many people in Prince Edward Island or New Brunswick because they still have their total crop. If they are a small producer, then they depend on a growerdealer for their supplies, et cetera, and naturally he is going to sell all his own production first and then he takes in from these people who buy fertilizers, machinery, insecticides, et cetera from him and some of these people have hardly sold a potato. On Monday, I am told, they were selling them for 53 cents for 75 pounds. That is just giving them away because they are not getting the cost of production out of that. It is difficult to try to work out an overall program for potato production. But that is the situation in Prince Edward Island and I think it is even more chaotic in New Brunswick. You have people in New Brunswick who had contracts the year before last and because they were so low they did not have contracts last year. Most of them just would not sign contracts. This is because they saw what happened to Prince Edward Island people, a small percentage of whom had contracts, but the vast majority did not have contracts and so they got the higher price, the world price, at the time. A lot of people in New Brunswick were frozen in to contract prices. They were offered contracts at, I think, \$5.12 a barrel this year. A barrel is 165 pounds. Many people look at a barrel of

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potatoes and say, "Why don't these people sign contracts at this price?" I have said there should be one agency marketing potatoes, but many people have disagreed with that. In Prince Edward Island I think we have 21 or 22 desks selling, and they are selling to the same markets in Toronto and Montreal mainly. So you can imagine how happy you would be if you were a potato buyer in Toronto or Montreal and you knew you could call on 21 or 22 desks and pit one of them against the others.

They have more of what we call the "gypsy buying" in New Brunswick right now. That is where a man drives into a vard where there are potatoes and he says, "Look, I have two big semis in town and they will be here tomorrow and each will pick up a load of potatoes." We have heard stories to the effect that they say, "We want a thousand bags, but we will pay you for 900 and you will give us 100 free, and we will pay you 91 cents a hundredweight. We will take them in bulk to Montreal or Toronto." They are going to gamble on whether they can get rid of the potatoes. So there is nothing more chaotic at the present time than what is going on in the potato market. But I suppose that to say it has never been that way before would be wrong too, because history shows that we have aided them eight times and each time they say that they are going to set us a better marketing system, but they never do. It cost us \$5 million for one of the programs, but they still have not set up a different marketing system. There are suggested sums now of \$20 million or \$21 million to get them out of the plight they are in at the present

The Chairman: But who has not set up the marketing system?

Hon. Mr. Whelan: They haven't, the farmers.

Senator Michaud: Why do shippers disagree with the idea of a one-desk agency?

Hon. Mr. Whelan: I would think that the majority of producers probably want that, but there are other people involved, and it has been a fairly good thing for the ones running the desks. Mr. Williams could probably add something to that.

Mr. S. B. Williams, Deputy Minister of Agriculture: Well, this is a matter of opinion, but my opinion is that many shippers are shipper-growers and as long as they are shipper-growers they make sure that in a year such as this they sell all their own crop before they sell anybody else's. There are people down there at the present time who have not sold one carload.

Senator Michaud: These are growers only?

Mr. Williams: Growers only, not shippers. And it is obviously very much in their own interest to be in the position where we do not have the sort of arrangement that Senator McNamara is very familiar with where people have quotas to deliver and they may have a pool price and things of that nature. I am giving you my opinion as to why they are against it, but that certainly sounds like a logical reason to me. They perhaps have a pool price and things of this nature. I am giving you my opinion as to why they are against it. However, that certainly sounds like a logical reason to me.

The Chairman: Do the shipper-producers tend to be the larger producers?

Mr. Williams: Yes.

Hon. Mr. Whelan: In most cases.

Senator Inman: What does it cost to produce a bushel of potatoes on Price Edward Island today?

Hon. Mr. Whelan: A bushel? We go by the hundred-weight, and it costs about two cents a pound, without labour.

Mr. Williams: I think that includes labour, \$2.03.

Senator Michaud: I have seen figures of from \$5 to \$6 per barrel, is that correct?

Mr. Williams: As is the case with all cost-of-production figures, usually they can range 200 per cent or 300 per cent, depending on whose figures they are. The \$2.03 we have quoted to you this morning is the PEI direct out-of-pocket expenses. That does not include overhead and items of that nature.

Hon. Mr. Whelan: Investment.

Mr. Williams: It includes machinery cost, but not land.

The Chairman: And not a living for the family, either.

Mr. Williams: No, those are direct cost of production figures.

Senator McElman: That does include capital machinery depreciation.

Mr. Williams: Yes, it includes a charge which depreciates marhinery.

Hon. Mr. Whelan: And mortgage on the land.

The Chairman: In other words, if that was the only price you got year after year, you would go broke and go out of business. Someone would take your land away because you couldn't pay the mortgage.

Mr. Williams: The figure for 1974, as supplied to us by the Prince Edward Island people, shows for seed \$7.00. Now, you know, you can argue that. Depending on whether a producer uses his own feed it may vary, but that is the cost if he had to buy it. Fertilizer and chemicals, \$159.94; petroleum, \$14.63; labour, \$108.61; mechanical repairs, \$26.63; repairs to buildings, \$6.14; fixed costs, which includes taxes, utilities and insurance, \$22.94.

The next item is a difficult one, in that it includes the cost of bags, the cost of levies to marketing boards and costs of that nature. Most producers do not sell their potatoes bagged there but bulk, on the basis of being bagged, with the bags being supplied. In any event, the bagged figure, including the bags, is \$79.11. That totals \$488 per acre direct costs of production. On the basis of 240 hundredweight per acre yield, which is considered to be the average yield, it is \$2.03 per hundredweight. That does not allow for a management fee, an owner-operator allowance, interest on assets, or a management factor.

The Chairman: If that were included, it would be 50 per cent more, or maybe double, I suppose.

Mr. Williams: It depends upon who is figuring it. In addition to that, of course, even using exactly the same level of figures, for example, if a producer's yield were 275 hundredweight per acre, his cost would drop to \$1.77. If, on the other hand, there were only 210 hundredweight to the acre, the costs would increase to \$2.32. This would be

for the same man, with the same costs, depending on his yield.

Senator Michaud: What is the average yield, please?

Mr. Williams: I used 240 hundredweight per acre. Taking the cost of bags out, which most producers do not include and which quoted prices never include in those provinces, 35 cents could be deducted from the figure of \$2.03.

The Chairman: Senator Michaud, can you produce potatoes at \$2.03 and live?

Senator Michaud: I can try.

Hon. Mr. Whelan: As long as he is a member of the Senate, he can.

The Chairman: Your sons are operating it.

Senator Inman: I know that 25 years ago \$1 per bushel was considered to be the cost. A bushel is a bag and a half.

Senator Michaud: It is 60 pounds.

Senator Inman: I know that because I had a brother who was a big producer 25 years ago.

Mr. Williams: The average cost of production for the previous five years, as reported by Prince Edward Island, on the same basis, is \$1.37, which shows how much it has changed in 1974 over the average.

The Chairman: Are there other questions with respect to this point? If not, shall we move to a new subject?

Hon. Mr. Whelan: Many of the senators have asked questions having to do with marketing, but they have not expressed an opinion as to whether they consider the present system for the sale of potatoes to be good.

Senator McElman: The present system?

The Chairman: Yes.

Senator McElman: The present system of marketing is unbelievably awful. Several times in New Brunswick, Mr. Chairman, as I am sure Mr. Williams will recall, attempts have been made to operate marketing boards. However, because of the intra-battles within the producers and shippers involved in the marketing, that was also turned into chaos. Hopefully some more orderly approach can be achieved, because certainly the system that has been in use just does not work to the advantage of the farmers, at least, the producers.

Mr. Williams: While we are discussing this subject, it would be of interest to senators to know that in the past ten years in New Brunswick the weighted average price to producers, bulk Canada No. 1, has ranged from 94 cents per hundredweight to \$6.56 per hundredweight. That illustrates the tremendous fluctuations in prices between years. The comparable figures for Prince Edward Island are \$1.15 to \$6.11.

Senator Michaud: I assume that the high price was last year.

Mr. Williams: It was the 1973-74 crop year. These are crop years, rather than calendar years.

The Chairman: In my opinion, the minister is to be commended for the efforts he is making to bring about a

stabilization program for potatoes and other commodities. The dairy industry was in one hell of a mess a few years ago, and due to action on the part of the federal government things have improved greatly—let us put it that way. The grain industry on the Prairies has comments for and against, but I think it is safe to say that the overwhelming majority of the producers support the principle of the Canadian Wheat Board and orderly marketing. In my opinion, it is a shame that the potato producers must put up with this kind of situation.

Senator Michaud, you have been very quiet.

Senator Michaud: Senator McElman has asked all my questions.

The Chairman: We rely upon Senator Michaud in the potato business; he is a great authority on it.

Senator Michaud: I could say that I believe the majority of the farmers are convinced that the solution will come not from the shippers, but from the department.

The Chairman: In Ottawa.

Hon. Mr. Whelan: An interesting factor affecting Eastern producers of potatoes is that in the Maritimes they will pay from \$240 to \$280 per ton for ammonia phosphate as fertilizer. If he is in Western Canada, he will pay from \$181 to \$191 a ton for the same fertilizer, so he has been subjected to a tremendous increase in prices, especially this year. These are current prices. He has been receiving low prices for his crop last year. We are concerned about what the productivity will be for this year. Potatoes are a perishable product. People do not realize that. We lost one half of one per cent of the year's total production of eggs, and they thought that was terrible; but the normal thing to happen with potatoes is to have a 20 per cent loss of storable potatoes. This year they are up as high as over 30 per cent in some instances. They are culling out because of immaturity and machine damage, et cetera, when they are put in the warehouses. Some people are saying we should be culling higher than that, making them a super grade of potatoes and putting them on the market that way. They have that tremendous loss out of their productivity.

It is a little above normal this year because of last year's season, when they were faced with a big production of potatoes—15 per cent over normal production. They then had some frost damage and some immaturity because of the shortness of the season.

Senator Inman: What percentage of potatoes are used for flour today?

Hon. Mr. Whelan: What percentage of potatoes are used for flour? Mr. Williams, have you any idea?

Mr. Williams: You mean in all of the processing?

Senator Inman: I mean in flour for cooking.

Mr. Williams: I could not give you a figure, but I would think it would be well below one per cent. In New Brunswick, about 40 per cent of the total crop is used for processing in one form or another, largely for french fried potatoes. Quite a fair percentage is used for instant potato flakes. In Prince Edward Island about 15 per cent is used for processing.

Senator Inman: A great amount of potatoes is used in the processing of starch.

Mr. Williams: As you may be aware, there used to be quite a few starch plants in the Maritime provinces. At present there is only one. That is in Grand Falls. The Valley Co-operative that was in Grand Falls sold their machinery, and there is now only one starch factory. There has always been a problem with starch factories being used for diversion purposes. In years when potatoes are high, they get no potatoes at all. In the years when potatoes are in large supply, they are swamped with them. It is extremely difficult to run a business operation without a reasonably constant input. Efforts have been made to try to develop a system of processing-type potatoes, starch-type potatoes, similar to those grown in Europe, that are grown especially for starch, which are very high yielding and very high in starch; but generally speaking it has not been successful. In fact, it has been a total failure.

Senator McElman: The minister mentioned the great differential in the cost of ammonia nitrate fertilizer between the East and the West. I think he stated it was about \$100—

Hon. Mr. Whelan: In the ammonia phosphate that is used, in Eastern Canada the low would be \$240 and high \$280. In Western Canada the low is \$181 and the high \$191, so the difference is around \$90 per ton.

Senator McElman: It is in the \$60 to \$90 range. Has your department any data on what proportion of that would be related to transportation costs?

Hon. Mr. Whelan: We have worked out a program of costs. In one of my public speeches concerning the fertilizer industry, I explained how we used the cost of their plants which they had built, mostly during the late 1950s and 1960s. We also allowed them a building cost on 1974 prices for construction, and that type of thing. We still find it an unwarranted market with regard to the prices of fertilizer. We think it unrealistic, and, I repeat, unwarranted, because of the product, the energy that we use in Canada, the product of potash in Canada, the rock phosphate that we import. We know how much that costs approximately. It is not difficult to get those figures. They are mostly obtained from Florida. Also, it is not that difficult to ascertain the cost of other basic ingredients used in the fertilizer.

We use more of the super phosphates in Eastern Canada than they do in Western Canada. They use it in a straight form, whereas we use the super phosphate which takes more energy and another process.

You can go from urea which in Eastern Canada is \$228 low and \$270 high, and, in Western Canada, \$142 low and \$182 high. So that again is a difference of about \$90 per ton. The transportation cost is only a small part of that.

Senator McElman: The difference appears to range between \$60 to \$90 between Eastern and Western Canada. What, in your view, would be an appropriate differential compared with what it is now, on the basis of the data your department has obtained? Would it be \$15, \$25?

Hon. Mr. Whelan: In most cases it would be between \$50 and \$75 a ton less than it is at the present time. That is a round figure. It should be approximately at least \$50 less per ton.

Senator McNamara: It seems to me that the data on marketing in the Maritimes take us back to Western Canada 60 years ago when we had complications with the trade fighting the producers. The producers there took the

initiative. They organized themselves. They did not go to the federal government and say, "You do something!" They did something with the support of the federal government. Are producers themselves organized through the Federation of Agriculture? Are they taking any action themselves, or are they coming to Ottawa and saying, "We are in a mess. You set up a board"? A board, to be successful, has to have the support of producers.

Hon. Mr. Whelan: I think there is now more action producerwise than there has been for some time. If you check the history of the Maritimes, you will find, as has already been stated by one of your colleagues, there has been action by producers in the past, but it did not work out as successfully as they thought it should. They did not go all the way like the Western grain producers and obtained total control. They did not go so far as to obtain total control.

Prince Edward Island has a board at the present time, but it does not have total authority. I do not think the Prince Edward Island board, no matter how efficient they were, would control the enterprise, as long as New Brunswick is competing for the same market. If they stay the same as they are in Prince Edward Island, in the total marketing concept, it will be the same thing as if Alberta and Manitoba refused to join the Canadian Wheat Board marketing system and said "We are going to market outside." Saskatchewan, even being the biggest, still could not operate successfully if the competition for marketing from Alberta and Manitoba were to continue. What I am trying to say is that there has to be a lot of them working together in order to make it successful—quotas have to be set, acreage production, and so forth. We have marketing boards with respect to commodities that are strictly within provincial borders. Over 55 per cent of the agricultural commodities in Ontario are marketed by provincial marketing boards. When you take wheat into the total agricultural products marketed under some kind of controlled marketing system, it can go as high as 75 per cent.

Mr. Williams: If you include the Canadian Dairy Commission as a marketing board, it brings the percentage up to 60 per cent. The big item that is excluded, of course, is beef

Senator Michaud: You have already mentioned, Mr. Minister, and rightly so, that in order to achieve a workable marketing agreement in respect of potatoes, the participation of the four provinces was required—New Brunswick, Prince Edward Island, Quebec and Ontario.

Hon. Mr. Whelan: That is right.

Senator Michaud: Senator McNamara asked a few moments ago in respect of Prince Edward Island, whether one province could do so on its own.

Hon. Mr. Whelan: It cannot, especially when over 50 per cent of the commodity is exported to other parts of Canada. There is no law prohibiting the marketing of commodities across provincial borders or an invisible line as far as agricultural products are concerned, and I think that is as it should be. The Fathers of Confederation were far-seeing men when they devised our Constitution in this way in respect of agriculture and fisheries. I think we have opted out much too much of our federal authority to provinces, both in respect of fisheries and agriculture. You balkanize the country that way. Our domestic markets are in our large metropolitan areas and then we compete in the world markets.

Taking potatoes as an example, two years ago the provinces of Prince Edward Island and New Brunswick sent trade missions to the Caribbean and South America. That does not make much sense unless you are in the position of the buyer, in which case you can pit Prince Edward Island against New Brunswick, thereby making them compete between themselves for the available market. We had the same thing in Western Canada.

It was nothing a couple of years ago to meet one delegation from Alberta returning from Japan and another delegation from another province getting on the plane to go to Japan to sell the same commodity. The only party that could be happy about that is the buyer, in this case being the Japanese, and they are the shrewdest traders in the world. In other words, two Canadian provinces were competing for the Japanese market.

As long as that practice continues, there will be little stability. Neither party knows what the other is doing. They then come to the federal government and ask it to save them from the chaos in which they are involved, the terrible situation in which they are involved. Yet, they run around on their merry little selves. As long as world markets are progressive, they can point to what they have accomplished. However, world markets do not always remain stable.

Senator Michaud: Since the four provinces are involved, is the federal government the only agent they can look to?

Hon. Mr. Whelan: The Canadian Horticulture Council has been the spokesman for the industry and the Canadian Horticulture Council is not just made up of producers; it is made up of other people. I understand that it supports a different program for selling potatoes than the one presently in existence.

The Chairman: Honourable senators, we have had a long discussion on potatoes.

Hon. Mr. Whelan: It involves marketing generally, Mr. Chairman. Senator McNamara made the comparison to grain. The one essential difference, Senator McNamara, is that the Wheat Board does not have to worry about the grain as long as it is dry and in the farmers' bins, whereas potatoes have to be marketed within a year from the time they are produced. If the grain is not sold this year, it will be sold next year.

Senator McNamara: That is the case most years. We did have a few bad years while I was running the wheat board.

The Chairman: I am not trying to curtail the discussion on marketing generally, but if we want to get on to other products with the minister, we will have to move on.

Senator McGrand: I have two short questions. With respect to the processing of potatoes in New Brunswick, Mr. Minister, I believe you said 40 per cent went through some type of processing, such as chips, and so forth. I am wondering what percentage is processed into potato flakes for instant potatoes. Is the market for instant potatoes increasing in Canada?

Hon. Mr. Whelan: Mr. Williams has more facts on that, Senator McGrand. I can relate to you one incident which occurred in the fall. We had some frost damaged potatoes which we wanted to market for potato flakes or potato granules. When we asked for tenders we were told that we would have to give the industry the potatoes, and even at that the industry was dubious as to whether or not they could be used. The reason was that there was only a certain market for such products and the industry had adequate supplies to meet all contracts in that area.

Senator McGrand: So the market for instant potatoes is not increasing?

Hon. Mr. Whelan: There is a small market, senator, and it is increasing. However, the market for other types of processed potatoes is increasing at a much greater rate than the market for instant potatoes. The market for processed potatoes has grown phenomenally. The largest growth has been in respect of potato chips—not french fries, but the Saratoga chips which are sold in 10 cent bags, and so forth, in confectionary stores.

Senator McGrand: You mentioned ammonia phosphate. That is an expensive fertilizer for New Brunswick, is it not?

Hon. Mr. Whelαn: Straight ammonia is more expensive, senator, as is nitro ammonia. It does not vary too much from Western Canada to Eastern Canada. We export a good deal of it. In Western Canada it varies from \$260 to \$280 a ton and in Eastern Canada it varies from \$220 to \$255 a ton.

Senator McGrand: In what part of Canada is that fertilizer manufactured?

Hon. Mr. Whelan: The two major centres for the manufacture of nitro ammonia are Alberta and Sarnia, Ontario.

Senator McGrand: Is there not a fertilizer plant in northern New Brunswick?

Hon. Mr. Whelan: There is a blending plant in northern New Brunswick, senator, but I do not believe there is a complete manufacturing plant. There are very few areas that manufacture the ammonia. There are a good many blending plants which are supplied by the large companies. If they do not do what they are told, they do not get supplies.

Senator McElman: I think what Senator McGrand is referring to is the production operation associated with Brunswick Mining and Smelting at Belledune where there is actual fertilizer production going on. Ammonia phosphate is brought in, as always, but the off-flow from the smelting process provides the major element to go with it. Long term contracts were developed for that market. As far as I am aware, a very limited quantity is available for use by eastern farmers. Most of it goes overseas, I believe.

Hon. Mr. Whelan: You also get that by-product from the steel companies in Hamilton. There was some controversy last year on the tremendous markup which took place for that product. There are some phosphate deposits in northern Ontario, but up until last year they were uneconomical to develop. There are also some in British Columbia but, again, they are uneconomical to develop. To develop the deposits would require transportation facilities and a new railroad line would have to be built. There have been huge finds of rock phosphate off the Baja Peninsula and these are partly under the sea. They say it is a high grade. All these tests on it are not finished yet, but this could help us in western Canada, especially since we are shipping more products to Mexico and the boats would have something to bring back.

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Mr. Williams has just brought to my attention—and I think it is a fact—that it is not believed any nitrogen fertilizer is produced where they do not have natural gas.

Senator Williams: Will the total cost of the marketing board set up to take care of the Maritime area be borne by the producers themselves?

Hon. Mr. Whelan: That is so; they would bear the total cost themselves. We give them a grant to start out if they are a national marketing board. The maximum we give is \$100,000 to start a marketing board.

Senator Fournier (Restigouche-Gloucester): Was a study made in Canada on potatoes, besides starch, flakes and pulp, for a possible source of protein?

Mr. Williams: Potatoes are extremely low in protein. When the starch factory at the Valley Co-op was in operation it did in fact use the residual part after the starch was taken out. It was not pure protein, but they did dry the residual part, which is quite high in protein, and it was sold and used as a hog feed mulch.

Senator Fournier: It will be more or less in the water.

Mr. Williams: No, it is in the pulp. The starch comes out in the water. They get out what they call the starch milk. They grind the potatoes, which is like chewing them up in big grinders; they are flushed through with water and they get out what they call the potato milk, which is dried to make the starch. The remainder of the potato, which consists of a little bit of cellulose, although very little, some minerals and protein, is the material to which I am making reference. As a matter of fact, it makes a very excellent feed. However, there are costs associated with drying, depending upon the source of fuel, which makes it not the cheapest feed in the world.

Senator McElman: What about the use of the pulp potato surplus for stock feed?

Mr. Williams: Once again in the experimental farm service we have done very extensive work on the use of potatoes as a livestock feed. The problem is their value. They can be used; they can be used for raising beef or for raising hogs. I could not at the present moment give you their exact value in terms of livestock feed; the transportation charges and so on. However, it is generally considered that they are worth somewere around 50 cents per hundred pounds to \$1 per hundred pounds, but it depends on the relative price of barley on the day the comparison is made. Normally farmers will not pay much more than about 25 cents per hundred pounds if they have to haul the potatoes to feed them to their cattle. However, that is very much a rule of thumb matter.

Sengtor McElman: There is also a diuretic problem.

Mr. Williams: It depends on how they are fed. With dairy cattle there is more of a problem in that way. If they are introduced into the feed relatively slowly, as much as 25 pounds or 35 pounds of potatoes per head per day can be fed in the experiments we have conducted.

Hon. Mr. Whelan: Those are mostly at Fredricton, aren't they?

Mr. Williams: Fredricton and Ottawa. There have been experiments in making potato silage, for example, which improves the use of the product.

The Chairman: With your permission, honourable senators, I will change the subject. I will read paragraphs 2 and 3 of the recommendations of the Standing Senate Committee on Agriculture made some time ago on a particular point affecting the Farm Credit Corporation. The minister has suggested to me that one question that might be put is on what is progressing now to provide adequate programs for native people so that they can come under the farm credit policies in a more effective way. Our recommendations were:

That the eligibility criteria for purchasers under the Small Farms Development Program be widened to include operators not principally occupied in farming at the time of application . . .

In other words, let people into farming who are not farming now, and who cannot go farming tomorrow, but if they had a chance to farm on a part-time basis might be able to become full-time farmers at a later date.

—if the Farm Credit Corporation at the time of approval consider that the loan will materially assist the applicant to become principally occupied in farming.

The next point was:

That the special credit conditions provided for under the Small Farms Development Program be available to eligible purchasers for land transactions with any vendor and for the purchase of any suitable agricultural land.

In other words, the person who wants to go farming should have access to land on a broader scale than under the present program, where people are wanting to retire and so on. Mr. Minister, do you have any general comments on that?

Hon. Mr. Whelan: The bill is under consideration for amendment, and in the next two days, today and tomorrow, we expect it to receive third reading. As I have said, it is geared mainly to young people between the ages of 18 and 35. Mr. Holmes or Mr. Day can correct me if I am wrong, but I believe that last year almost 50 per cent of the loans were made to young farmers in that age bracket, under the present legislation. We have instructed the Farm Credit Corporation to be stricter, to cut off loans to people whose net worth is such that we feel they could borrow more money from a trust company, insurance company or somewhere else. The intent of the Farm Credit Corporation from the beginning was, and I think still is, to loan money to people who cannot get it any place else.

A young farmer who may want to return to the land may be teaching school, perhaps somebody who is nursing, or a man who is running a bulldozer; they have farming experience and want to return to the land. According to the legislation as presently drafted they must become full time farmers within five years. Such a loan is given to them to establish themselves in agriculture. We have a sizeable number of requests from that kind of person with some agricultural knowledge who wants to return to the farm.

We have evidence—I think it would be basic economics, and I believe the strongest evidence would probably be in the Province of Saskatchewan—that shows a status quo, a holding of its own; that is, fewer people leaving and some new people entering agriculture. That would be mainly, I would think, because of a couple of years of fairly stable prices and high prices for grain. Some of these people are

returning to take over a farm from their parents, or perhaps a relative who had no children, or perhaps they are going back to the land they originally came from in that community; they have perhaps had some equity in a home, which they have sold and put down that money on a farm. I can think of two people who are not full-time farmers yet. One is on a farm out near Assiniboia and another is on a farm near Battleford, and both are pilots in the defence forces here in Canada, so when I fly in that plane I know I am perfectly safe with two farmers. These two young farmers are still young; they left the farm to make a career in the defence forces of the nation. They still have love for the land and intend to return to the land when they retire, and it may be they will take early retirement. You run into many people with that desire. I think you can still say that you can take a person away from the farm, but you can never take the farm away from the person. There is that desire. I have been challenged on saying that Canada is still very much a rural society. It is very much a rural society and I repeat that, because agricultural Canada has contributed more people to urbanization of our nation than all the immigration. When you consider that the immigrants do not come from the big cities but from the villages and rural parts of central Europe, and mostly in other parts of the world the places they come from are rural oriented. We hope that we can entice those people back into agriculture. I think it is safe to say also, if we are going to loan young farmers \$150,000, plus \$50,000 for farm improvement, which they could use for machinery, and for land if they want to-\$200,000there must be a more informal system than we have at present to provide incentives to be productive and to provide security. You can imagine what would happen if you were a young potato farmer who bought a farm last year under this program and if he had one more year like this year he would have not the ghost of a chance of survival, no more chance than a snowball in hell to survive. We want these other programs, including the stabilization programs, accepted to go hand in hand with it. You have talked to me, many times, Mr. Chairman, about crop insurance. I see Mr. Gorrell here who deals with crop insurance. In the farm Credit Corporation discussion in the committee the other day we agreed we knew many young farmers who would be taking mortgages out under these high mortgage rates, and we agreed to study the feasibility of making mandatory, when they talk about crop insurance, when they borrow that much money from us under the third and fourth phases of the farm credit improvement scheme.

Senator Inman: May I ask what interest the young man would have to pay on a loan?

Hon. Mr. Whelan: He pays the current rate of interest for the farm loan, but we hope it will be reduced once new legislation is passed. We pay the going cost for the money that we borrow from the Bank of Canada; we pay the rate that they charge us. We in turn charge the farmer who is borrowing that money, and there has been no difference in the rate of interest for young people or for other people who may be borrowing from the Farm Credit Corporation. I am not sure what the new rate is going to be. Incidentally, we did hold it for two years at 7 per cent, when that was a very low rate. We changed it twice last year, because of the extra cost we were being subjected to. For the money we were lending out, the cost was more than we received. We don't mind lending it out at cost, but when it is costing more to the fund, we do find that when we have a subsidized interest rate we may be in a position

of causing inflated land values, so we do not want to be in that position.

The Chairman: I might just say that the minister's statement about young people in Saskatchewan wanting to go farming is absolutely true. I have farmed in a very tiny community in which we must have about eight or ten young people under 30 years of age who have gone farming in the last two years in that community. I think it is fair to say that there is great desire amongst many young people to farm. I am pleased that the department is looking at this problem sympathetically and doing something about it, and I am also delighted that young people are looking to farming as an occupation, and I think they are going to be successful in their undertaking.

Hon. Mr. Whelon: This is not an easy program to initiate. It is not going to be an easy one to administer, in the first year, to see how it works. There may be, say, a young doctor who decides he wants to buy a farm. It may be he has no intention of going full-time farming in five years, but he knows that if there is a subsidized interest rate for five years, it would be pure economics for him to take advantage of that program. Those are some of the things we are going to have to watch. Already we have the cases of the doctor or the lawyer. When he gets his education, the average cost to the taxpayer would have been about \$14,000 a year for him to get that education, so they have had more subsidies and aid from the Treasury than the average farmer has had.

Senctor Inman: When you give a loan like that, is there no proviso that they must farm? Is there no proviso that under these conditions the land must be put into production? This is the case of people going around, buying farms, and leaving them.

Hon. Mr. Whelan: That is the absentee landlor you are talking about?

The Chairman: I think what Senator Inman is referring to is that there are many abandoned farm lands and if young people are going to go farming it should be actively so, in the sense that the land is being used. I may be misunderstanding what she is saying. The concern is that if the money goes out there should be some result in farm production.

Hon. Mr. Whelan: We are not going to be loaning any money to anyone who is not going to be in farm production. If he has another job, he is going to have to be farming that land, participating in it, and in the productivity of that land. We have no intention of adding to the problems that we have at the present time, with bank managers and civil servants and senators and everybody, buying land just beacause it is nice to own land in the country and have a big country estate. There is an awful lot of them doing that. In some instances, the land is not that productive, but most of it is productive land and is not being used. In other instances, they lease it to some poor young farmer in the neighbourhood who cannot afford to buy it himself, and there are these share crops that are rented from them. It is not the best arrangement, but at least the land stays in production.

The Chairman: May I make a suggestion on one small thing you could do to help the small farmers? I refer to a situation on the Prairies. The dairy policy—I have just confirmed this—provides support prices if you have a certain production and if you have a quota, but if you are a tiny producer and want to ship, for example, on the

Prairies a few cans of cream, you do not get access to the subsidy. I can tell the deputy minister, I can tell the minister, that I know the names of young farmers who are going into shipping cream in order to get a few extra dollars to help to make the farm successful, and they are not able to get the federal subsidy. My own opinion is—I may be wrong—that you could let them in on the subsidy without in any way endangering the general dairy stabilization program. I would think this should be looked at.

Mr. Williams: Is that this year?

The Chairman: They are doing it.

Mr. Williams: Last year they could not, but this year they can.

The Chairman: They do not need the quota.

Mr. Williams: They do not need a subsidy in order to be eligible for a quota this year. They did until this dairy support program but now they need what is known as a market share quota from the province, but I know of no province where those are not obtainable relatively freely. There may be the odd person in a peculiar situation who is not doing it. I will inquire about your province, sir, but I am reasonably convinced that anybody this year can obtain a market share quota which allows him to participate, because the federal government this year suspended temporarily its subsidy quota program.

The Chairman: I am delighted to hear that. I think it is another favourable mark for our present minister.

Hon. Mr. Whelan: It is possibly because we signed agreements with the provinces that it consequently became a reality, but I think it is also due to the efforts of Mr. Johnson, the Director of the Canadian Dairy Commission, who comes from Saskatchewan. He is a capable dairyman who understands the dairy industry.

I should point out that the cream producers are rapidly disappearing because they are going into the production of industrial milk, which is easier. We want to maintain high standards in milk production, of course, and the provinces are insisting on high standards. In some instances milk producers have improved their standards, but in other instances they have been lax, and in those cases the province will be quite rough on the producers this year if they do not have their standards up with respect to quality, cleanliness, et cetera, involved in the production of milk. So the quality has to be there, whether it is for milk for consumption or for industrial milk. We are getting that higher quality product, but the quality has not yet reached the level we are desirous of attaining.

As a matter of fact, in many areas of Canada industrial milk is actually being consumed along with fluid milk because of the high standards involved. The tankers simply go from one farm to the other to pick up the milk. But there are other areas in the country where this is an impossibility owing to lower standards. But the overall situation is not as bad as it was 10 years ago, or even 5 years ago. We are certainly on the upward trend with respect to the quality of our production, but with respect to direct consumption the quality can never be too high.

Senator Michaud: Mr. Chairman, I wonder if the witnesses can tell me whether the small farm program comes under the Farm Credit Corporation to any extent. I believe at the outset it was expected that this program would apply particularly to the Maritime provinces where

the highest number of small farms would be found. However I am afraid that it is not working all that well. To the extent that it is working, it is a disappointment. We had high hopes at the outset, but they have not materialized. Is there any explanation relevant to that situation which might set up the context as it actually exists?

Mr. J. M. Day, Director, Loan Administration and Special Programs Branch, Farm Credit Corporation: The Farm Credit Corporation acts as an agent for the Department of Agriculture in handling the land transfer plan part of the small farm development program. It has not, as you said, had the volume in the Atlantic provinces that we probably anticipated. There are a number of other programs, provincial programs, ARDA programs, DREE programs, which have already made quite a few adjustments down there. The program has recently been amended to increase the ceiling in Nova Scotia so that it may bring in a few more there.

We had been quite active in the province of Quebec, where there are a number of small farms. Other than that, activity has picked up in Saskatchewan and Alberta. So, relative to the overall number of farmers in each province, the discrepancy may not be that great. But when you look at total figures per province, naturally, the activity in each of the Atlantic provinces is not that high.

If I may make an observation, Mr. Chairman, one of your recommendations was that the special credit provisions should be enlarged to permit special credit to buy from any vendor.

The Chairman: Right.

Mr. Day: When the program was being initiated, I think it recognized that a number of small farmers would not want to leave the farms. They were at an age where they would like to enlarge, but they had difficulty competing in the market with people who had other incomes and who had larger farms. That is one of the reasons special credit was restricted to land becoming available under the program. The idea was to give those who wished to remain on their farms some sort of competitive place in the market to get some of this land that the program was making available.

The Chairman: The idea of our recommendation was that the person who was eligible could buy any land and not be restricted in the lands that he could buy. In other words, he could buy from a big farmer or from one who was not retiring.

Now, honorable senators, on behalf of the committee, I want to thank the minister and his officials most warmly for coming here this morning. I think he has given an excellent account of himself and the activities of his department.

We have on our formal agenda today as the next item of business the appearance of Mr. G. M. Gorrell, Director, Crop Insurance, Department of Agriculture. Mr. Gorrell, will you come forward, please?

Mr. G. M. Gorrell, Director, Crop Insurance, Department of Agriculture: Thank you, Mr. Chairman. Honourable senators, I appreciate the opportunity of speaking before you today and giving you some broad insight into the crop insurance program. To start with, I will just give you a brief summary of what this program is. I will give you an idea of the legislation behind it and what our involvement in the program is, and then I will be pleased to answer

specific questions or to deal with any problems that you might care to raise.

The Crop Insurance Act was enacted in 1959 as a means to assist provinces establish a crop insurance program. This is one of the instances I think the minister spoke of a few minutes ago that has been termed one of the privileges of agricultural policy that have been turned over to the provinces. The act provides for entering into an agreement with the provinces for the purposes of a crop insurance program, and under the agreement it provides for financial contributions of either 50 per cent of the required premium, if the province will pay all the administrative costs, or, at the provincial option, 25 per cent of the premium plus 50 per cent of the administrative costs, provided the province will pay a like amount.

In addition, the act provides for the federal government to underwrite a major share of the risk of the program through either a loan arrangement to the provincial government or through a re-insurance agreement should indemnities greatly exceed premium income plus any reserves that might have been accumulated.

These contributions are, of course, contingent on certain conditions being met, namely that the program be actuarially sound, and that the insurance written does not exceed 80 per cent of the area average yield or farm average yield, plus any other restricting conditions that may be written into the various provincial agreements.

The program itself is a means whereby a farmer with financial help from both provincial and federal governments can protect himself against serious crop losses caused by adverse natural hazards over which he has not control. Participation is voluntary, and, as he pays a premium, there is no stigma of a welfare program attached.

There is no intent to increase the farmer's annual income, apart from any government contributions which could eventually come back into the farmer's hands as a result of an indemnity. The aim of the program is to stabilize the farmer's income by levelling out the fluctuations in income caused by serious production losses.

The insurance is not a compensation program for damage sustained, but is rather a production guarantee and is related to historical yield experience. In other words, we expect future yield, with some adjustments for technological improvements in farming, to be similar to past experience. As a production guarantee, harvested production is deducted from the coverage with the difference being paid as an indemnity from the insurance fund. For convenience in the paying of premiums and indemnities the guarantee is converted to dollars.

The program itself is geared to the individual. Participation is voluntary, and indemnities are calculated and paid on a farm unit basis. Coverage is related to the individual farm, based on the individual's own yield experience, or, in some provinces, on an area average, but included in the program is a schedule of adjustments both upwards and downwards which reflect the individual's loss experience.

To maintain public support the coverage is set at a level which, on the average, should return only the out-of-pocket costs of production without consideration of a profit margin. As we heard earlier, this cost of production figure is kind of vague, because it depends on who is interpreting the cost, and what should be included in it. It seems that every province has a different idea. Perhaps I should even go so far as to say that individuals have different ideas of

what should be included in production costs; but we normally use the same approach that was suggested this morning, namely, the strict out-of-pocket costs of production with no regard to a return for labour or management factors. It is expected that the necessary profit for a viable business can be attained from the years of above average production. To meet the varying requirements of different management practices, optional coverage levels are usually offered. This coverage can range anywhere from 50 per cent to 80 per cent of average yields. The coverage is converted to dollars through established unit prices. These unit prices can also vary. There can be several prices offered on each commodity in various programs within the various provinces, and this is designed so that the operator can tailor his insurance to meet his particular management requirements. This price is not necessarily directly related to the current market, although the market is often used as an indicator. The real concern here is that the price not be set above the market price, as this tends to discourage the harvesting of a crop of questionable value.

Provinces have been given the responsibility of administering crop insurance programs, and to a major extent they are financially responsible for the crop insurance programs. With this responsibility they have been given considerable flexibility. Situations are sufficiently different in the various provinces to warrant different approaches to crop insurance. These different situations include different crops, different risks, varying government philosophies, and the outlooks and attitudes of people change from region to region. In view of these differences it is questionable whether the federal government could or should make the best decisions on the details or the various programs.

The primary responsibility of Agriculture Canada in the field of crop insurance is to ensure that the provincial programs meet the criteria for financial contributions. That is, that the premium structure is such that the program can be self-sustaining over a period of years, and that the insurance written does not exceed 80 per cent of the average yield of an insured area. In addition our Department provides a central co-ordination of policy regarding crop loss protection. We also assist provinces in developing, amending and promoting their individual insurance place and in performing research and Actuarial studies relative to premium rates and coverages for new and existing programs.

With that I will throw the discussion open, and will attempt to answer any questions on crop insurance. I have deliberately not gone into any detail, because we have ten provinces, all of them with insurance programs, and all of them quite a bit different; but all with the same underlying intent. So if you have specific questions I will do my best, Mr. Chairman, to deal with them.

The Chairman: Thank you, Mr. Gorrell, for your statement. Some of your emphasis, if I might say so with respect would appear to be somewhat different from what was said by the Minister of Agriculture this morning, who, I tended to believe, felt that the government was moving in the direction of uniform policies, at least for regions, if not exactly for provinces. I cannot interpret how he would feel towards this, but I would think, following the line he was taking, I would come to the conclusion that the government would be interested in having a more uniform policy from province to province with regions that are quite similar. We know they are not all the same; every province

is not similar to all the others, but I would argue that growing wheat in Manitona, Saskatchewan or Alberta is the same, no matter which side of the invisible boundary you are on. So if you want to make a comment on what I have now said, I am asking you do so.

Mr. Gorrell: Certainly I would agree that there is no basic difference in growing wheat in the Prairie provinces or potatoes in the Maritime provinces. There is this area of government philosophy in different provinces. This changes, of course, in different areas. Certainly, from a personal point of view I would like to see crop insurance programs and many other agricultural programs much more uniform so that it would make life from my point of view much simpler. The way the legislation is set up at the present time, the responsibility is in the hands of the provinces, and, much as I would like to see it, we do not have that much input into the actual details apart from recommendations and advice. When it comes to the actual details, we are somewhat limited.

The Chairman: While this whole question of what is cost of production is a debatable point, and the act, as I have read it, bases it on cost of production or allows it to be based on cost of production, I think it would be fair to say that you must feel that the Alberta rates fall into this general category.

Mr. Gorrell: Yes, the Alberta rates have given more flexibility, perhaps, in this category. It does have the room there for additional cost to be included in these costs of production. There is no question about that. The question is, perhaps, what is required or what does the province feel is required, and here again I refer to the expression I heard this morning, that if you had to live on crop insurance returns year after year, then you will go broke after a few years anyway. This is just not possible, and I do not think it was ever the intent of crop insurance legislation to keep the man on a farm indefinitely at this level of return. So you are going to have to have an average crop or an above-average crop at some time.

The Chairman: But there is no way the farmer can keep on getting crop insurance and keep on having crop failures resulting from the kind of operation he is carrying out. It specifically says that he has to do all things required in a husband-like manner. So it is not possible for anybody to farm just for the sake of the crop insurance.

Mr. Gorrell: That is right. That is the case from a management point of view. But if it is as a result of a natural hazard that he is suffering a crop loss year after year, then of course, crop insurance will pay, but he cannot survive in a viable business at an 80 per cent level. He is going to have to cut his expenses pretty drastically.

Senator Michaud: We might get back on to potatoes again.

The Chairman: Now the maximum is 80 per cent, but would you explain to us if this is the coverage available in fact in most of the provinces, or what is the percentage being followed in the various provinces?

Mr. Gorrell: Well, maybe there is a reason that I am not aware of, but in the eastern provinces—that is from Ontario east—virtually all insurance is written at a maximum of 80 per cent, and I assume this has to be because of the type of crop grown. I say that because you are

dealing with more of a specialty type of agriculture, small acreages—and by that I do not mean small farms, but a small overall acreage of the various crops, whereas the prairies and British Columbia, and certainly in the case of the Prairies, the maximum offered is 70 per cent. There was a time when both Manitoba and Alberta offered 80 per cent coverage, but they found that the wrong people were buying the 80 per cent rate and they were being forced to declare uninsured causes of loss. They found that they were generally poorer farmers who were buying the 80 per cent coverage. British Columbia does offer 80 per cent on its fruit and berry crops, but only 70 per cent on grain. The eastern provinces virtually all offer 80 per cent on a majority of their crops.

The Chairman: Do you think it would be fair to say that the Prairie crop insurance boards feel that going up to 70 per cent, and not beyond, per average yield, is a relatively safe thing to do to make as certain as we can, in a crop insurance scheme that people are not in fact farming just for the crop insurance, because there is a 30 per cent penalty to start with, anyway, apart altogether from the fact of any penalty that there may be because the coverage is not high per bushel?

Mr. Gorrell: I think they have maintained this at a 70 per cent level because of two reasons: The first is that they feel that 70 per cent is adequate to cover the cost of production normally. In other words, the extra 30 per cent is a profit margin, the return for his labour and management abilities. Secondly, the premium rate that they can sell the 70 per cent coverage for is substantially lower than it would have to be for 80 per cent. It is not a direct relationship of premium rate to coverage because you are talking about a fluctuating point where you cut in to start making payments, and your payments are not all at the zero point. In other words, your yields are not at zero point when you make a payment; they are at a point just below the average yield line. So when you get to 80 per cent you are cutting into a lot of payments which at 70 per cent are in a no-claim situation. The premium rate is therefore about 75 per cent higher on the average for 80 per cent coverage than it is for 70 per cent coverage. For those two reasons I would think they have maintained the coverage at a 70 per cent level.

Senator Williams: Mr. Chairman, does a crop failure mean less overhead due to the fact that when there is a failure, then the maintenance of that crop is not up to what it would be if there were no failure and it was a productive crop?

Mr. Gorrell: It depends on the degree of the crop failure. Here again it is one of these vague expressions. Ten bushels of wheat may be a failure to one man, but it may be an average crop for another man in a different area. Certainly if it is a complete failure, you save the expenses of harvesting and you may save certain expenses during the year if it fails early enough, and you might save some spraying expenses and things to that effect. You certainly might save some harvesting expenses and storage expenses and things like this. So, with the crop insurance program we do not normally penalize that individual; he gets his full coverage whether or not he has to go through the expense of harvesting.

Senator Williams: I presume that in the majority of cases 80 per cent coverage is adequate.

Mr. Gorrell: The 80 per cent, I would say, is normally adequate. The question then is what unit price is to be applied to that 80 per cent.

Senator Williams: As you said, depending on the area.

Mr. Gorrell: Yes, depending on the area. A situation exists in the potato industry this year in which 100 per cent of the average yield could be used at the going market price and it still would not be sufficient to cover the cost of production, so it becomes a grey area. What do we use? We must set the price one year in advance, because there must be a premium based on a certain price. Therefore the price must be set prior to the selling period. The pricing of many of these commodities can vary through the growing season. In the case of wheat, barley or other products sold through controlled marketing systems that price can be set in advance, but other products have a very volatile pricing schedule.

Senator Williams: Therefore if, as you say, the 80 per cent is actually set one season ahead, it is most difficult then to presume the costs which will be involved during the coming season.

Mr. Gorrell: Exactly, the costs themselves.

Senator Williams: I want to be clear on that, now.

Mr. Gorrell: Yes, the costs of production in connection with fertilizer, herbicides and items such as those, can vary tremendously during the growing season, or since last fall, when the prices were set. So, it is very difficult to arrive at exact figures. We can only work on averages and we are always one year behind.

Senator Williams: If the figures are set the previous year, or twelve months ahead of time and the costs to a farmer were to skyrocket, is there any means whereby that set of figures could be adjusted to meet the needs and costs of a farmer who would be going under due to crop failure? Is any adjustment available, or possible?

Mr. Gorrell: No, we have never permitted any adjustment after the selling season has started. The selling season for spring-grown crops will start the 1st of January, certainly no later than the 1st of February and will continue to April 30. During that period we certainly do not advocate it. However, if a province informed us on the 1st of April that they must increase their price to cover the additional cost of production, we are fairly flexible in Ottawa. If it can be taken past a provincial government, it really does not make that much difference to us in Ottawa because we are simply contributing something based on the provincial program.

Senator Williams: Thank you very much. I left the farm when I was about 12 years of age because there was no crop insurance for the old man.

Senator McNamara: Mr. Chairman, I am afraid I will not be very helpful in this discussion, because I do not know too much in connection with production. However, I want to clarify one or two points in my own mind. One has to do with the responsibility and decision-making level which rests with the province as compared to the federal government. I notice in the chairman's statement that Saskatchewan should be increased. Who will eventually make this decision? Is it the federal government, or Saskatchewan, sharing one half of the risk, which has the final decision as to the level?

Mr. Gorrell: Do you mean the level of the prices?

Senator McNamara: Yes.

Mr. Gorrell: These programs are administered at the provincial level through a board of directors. They are usually established as Crown corporations, with boards of directors which suggest a price as a board policy.

Senator McNamara: Each province has its own board of directors?

Mr. Gorrell: That is correct; these are provincial Crown corporations.

Senator McNamara: Then, Mr. Chairman, to do what you suggest, which I do not oppose if it is feasible, really, would it be the Saskatchewan board of directors which decided if the Saskatchewan price should be increased?

Mr. Gorrell: That is right.

Senator McNamara: So, in the final analysis we should be making our case to them, if we so believe?

Mr. Gorrell: I have already made the recommendation to the Saskatchewan board of directors. After your chairman made a statement which appeared in the local papers in Regina to this effect I happened to be in Regina and sat in on one of their board meetings. This point was raised and they reiterated their feeling that the price was adequate for their situation. So I put forward the case of a young farmer who must pay nine per cent or ten per cent interest rates. They replied that they must deal on averages.

The Chairman: Could you tell me the date of your meeting, because I believe it was before my statement? However, I may be mistaken.

Mr. Gorrell: It was during the first part of March.

The Chairman: My impression was that your meeting was before my statement, not after it, and they might have had wind of what was coming, or they might not. I may be incorrect, but I do not believe they had been subjected to the publicity resulting from that statement when you were discussing this with them.

Mr. Gorrell: No.

Senator McNamara: Regardless of that, they had to make the decision.

Mr. Gorrell: Yes. Actually, Mr. Chairman, you may be right, because that was a conference I attended. It was during the same week, anyway.

Senator McNamara: I happened to overhear a conversation involving Senator McDonald, who was at one time Minister of Agriculture in Saskatchewan and administered this program. As I understood him, with which I am inclined to agree, the risk in Saskatchewan is probably greater than in Alberta and Manitoba, because southern and western Saskatchewan is a comparatively high-risk area, compared to Manitoba, in the PFAA. The Manitoba producers said that they were carrying the program. Is there, therefore, justification for Saskatchewan to maintain different rates than, for instance, Manitoba and Alberta on account of that risk?

Mr. Gorrell: Not on that ground. I would say that under the Prairie Farm Assistance Program everyone was given the same coverage. If the average yield in an area was below eight bushels of wheat, they were paid, but under crop insurance the provinces, particularly the large ones, are divided into certain homogeneous risk areas. Coverage and premium rates are established based on experience in the particular area. So the southwestern corner of Saskatchewan would have a lower coverage and higher premium rate than the others.

The Chairman: My impression of PFAA was that Manitoba was a break-even place, or perhaps the farmers even contributed more than they took out. I may be wrong, but if my memory serves me correctly Alberta was in the same proportion, because they have a great deal of high-risk area. The total involved was not as great, because they do not have such a large farming area. I may be in error.

Mr. Gorrell: You are very close. Manitoba was in a plus position, Saskatchewan was approximately two-to-one and Alberta was just very slightly in the red. However, Alberta is very variable, they have good areas and some very poor areas.

The Chairman: Can you put on record the coverage that is available today in Manitoba, Saskatchewan and Alberta?

Mr. Gorrell: Yes. Saskatchewan, Manitoba and Alberta all provide 60 per cent and 70 per cent of the average yield as a level of coverage. For the various crops, or the main crops, that are insured in the three provinces, Manitoba offers a maximum price coverage for wheat of \$2.75 per bushel; for oats, \$1.25 per bushel; for barley, \$1.75 per bushel; for flax, \$5 per bushel; for rapeseed, \$3.75; for rye, \$1.85; and for mixed grains, \$1.50.

Saskatchewan has a maximum price level for wheat of \$2.25; oats, \$1; barley, \$1.40; flax, \$3.50; rapeseed, \$3; and rye, \$1.40.

Alberta has a maximum price level of \$3.50 for wheat; \$1.20 for oats; \$2 for barley; \$5 for flax; \$5 for rapeseed; \$2.25 for rye; and \$1.75 for mixed grains. Saskatchewan does not insure mixed grain.

You will see that Alberta offers a price that is substantially higher. They also offer lower price options, but this price is available for anyone who is willing to pay the premium. The premium is directly proportional. It is calculated at a percentage rate and it is proportionally higher for increases in the price range.

The Chairman: There is always the concern that in a very bad year a provincial treasury might be adversely affected. They may be afraid or reluctant to make any large risk so far as their provincial treasury is concerned. From my reading of the Crop Insurance Act, this might have been a very valid point some years ago when it was first put on the statute book, but I believe there have been changes since. Can you give us a rundown on the way it works, the way reserves are built up, the provincial liability in a really bad year, and the provincial liability in a super calamitous year? Can you give us a picture of what it might mean to a province?

Mr. Gorrell: As I stated earlier, one of the responsibilities which the federal government has assumed with crop insurance is either to make a loan to the province in the event that the indemnities greatly exceed the premium income or to carry some reinsurance.

The Prairie provinces have all opted to carry reinsurance. Reinsurance in itself is nothing more than another loan arrangement, but with the interest charges prepaid. In other words, they pay a premium each year to the federal government. We hold this in a fund, and if a calamity occurs, we advance them sufficient money to cover their costs, interest free. But first the province must carry some of the responsibility. Their first line of responsibility is the current year's premium, which must be used up first. They must then use up any reserves they have accumulated from previous years' programs. Saskatchewan, prior to this year, was carrying something like \$8 million, I believe, in reserves which had been accumulated since they got into crop insurance back in 1961. This is not a very well-weighted reserve, because in the initial years of crop insurance they normally start out on a very small scale and build up as they gain experience. Saskatchewan, in 1961, had something like 194 farmers insured, and, in 1974, they had 32,000 insured. Their liability has increased proportionately as the premiums have increased.

That \$8 million reserve can be compared with the 1974 premium income of about \$28 million. They have now \$28 million in 1974 premium income in Saskatchewan. They had \$8 million in reserve, which means they had \$36 million in which to pay indemnities.

The reinsurance agreement further provides that the province is responsible for the first $2\frac{1}{2}$ per cent of the total liability of the province. I am using Saskatchewan as an example. Their total liability in 1974 was almost \$300 million. So $2\frac{1}{2}$ per cent of that is roughly \$7 million. Add that \$7 million to the \$36 million they had in premium moneys, and we are looking at \$43 million for which they are responsible before the federal government gets into the picture. Any excess of indemnities over the \$43 million is split, 75 per cent paid by the federal government and 25 per cent paid by the provincial government. If you had a \$100 million calamity, it could hit the province pretty hard. The provincial treasury could be hit pretty hard.

The Chairman: All right. Let us take \$100 million, and they have \$36 million—

Mr. Gorrell: They have \$36 million in cash on hand which they can pay. It includes the reserve. You have \$64 million left.

The Chairman: Out of which-

Mr. Gorrell: The province would put up the first \$7 million, the first $2\frac{1}{2}$ per cent of the total liability. The balance is split 75 per cent-25 per cent federally-provincially. You take the \$7 million off your \$64 million and you are down to \$57 million. Twenty-five per cent of that is the provincial responsibility. They have to come up with roughly \$14 million, plus the \$7 million they had to come up with for the $2\frac{1}{2}$ per cent. So they stand to be out, right now, \$21 million.

The Chairman: This \$36 million was split how?

Mr. Gorrell: That was premium income for the current year, plus the reserve they had to on hand.

The Chairman: Having put up the \$21 million—no matter where the money comes from—there is paid to the farmers \$100 million, which has come from some place or from various places.

Mr. Gorrell: Yes.

The Chairman: My quick reaction, with regard to a province like Sasktachewan, which has a buoyant budget—it is just \$1 billion—is that they should consider—and they may not—the \$21 million investment from the provincial treasury, resulting in \$100 million coming into the provincial economy, from which they will collect sales tax, gasoline tax and everything else. It is a pretty good investment. They may not agree, but I think it is actuarially sound from the viewpoint of a provincial minister of finance.

Senator McNamara: What has been the experience over the years with the provinces? Have they made money or lost money? Since 1961 they have had better than average crops.

Mr. Gorrell: That is right. Up until this year, Saskatchewan has had very good experience. They accumulated \$8 million with a very limited program. It is only in the last two or three years that Saskatchewan has really had a fully fledged program. This is the first year they have had any sort of disaster. They are paying out roughly \$31 million this year. They took in only \$28 million in premiums. They are going into the red a little, but they have enough reserve to cover that. As an insurance fund, they are still solvent.

Senator McNamara: Has the federal government had to bail out any of the provinces?

Mr. Gorrell: Only Nova Scotia. We have had to loan Nova Scotia some money on their 1973 crop. I understand they have a deficit again in 1974, but they have not finalized their figures yet or come to us.

Senator McElman: That is the apple crop.

Mr. Gorrell: That is right. Manitoba has also had very good experience. It received a loan from the federal government in 1961. It was involved in crop insurance as early as 1960. In 1961 it had to come to us for a loan. That loan has long since been repaid, and the experience of Manitoba since 1961 has been very good until this fiscal year when it had to dig into its own reserves.

Alberta has for several years been in a position of what you might call nip and tuck. The overall situation stands just about even right now. It actually ended up a little bit in the black this year. It has come to us for re-insurance money, but not, so far, to obtain any loan. It has not yet required any more than its own contributions to us, so it was actually a form of refund that we gave to it.

Senator McNamara: Presumably, Alberta is broken up into different areas, one being, for example, Peace River.

Mr. Gorrell: Yes. Peace River has always been a hard hit area. I believe Alberta is broken up into about 13 areas.

Senator Michaud: As a first experience, how did the situation come out in New Brunswick in 1974?

Mr. Gorrell: Disastrous.

Senator Michaud: Perhaps I should not have asked that question.

Mr. Gorrell: From the standpoint of a business venture, it was disastrous.

Senator Michaud: For what reason?

Mr. Gorrell: The primary reason was that the strawberry crop was frozen over the last winter. Probably the biggest thing wrong with the New Brunswick program was that it was too small. It only covered strawberries, apples and spring grains. It did not cover potatoes which, of course, is the major industry in New Brunswick. There will be crop insurance for potatoes in 1975. Because of the limited number of crops covered, there was no base on which to build a fund. It was a calculated risk.

Senator Michaud: On what date did New Brunswick take the insurance on the strawberry crop?

Mr. Gorrell: They took it in January.

Senator Michaud: You also mentioned grains. How did that aspect turn out?

Mr. Gorrell: The grain fund, I believe, was a little bit in the red. It was fairly close. There was a respectable crop insurance program with respect to grains. It was not a good yield as far as New Brunswick farmers are concerned.

Senator Michaud: What hazards brought that about?

Mr. Gorrell: Frost, primarily.

The Chairman: I just wanted to make a comment as far as Saskatchewan having to dip into its reserves to some extent last year. While there have been worse years in history, last year was a terrible year. We had a great deal of rain in the spring which delayed seeding in many places by about a month. The rain then ceased and we had one of the worst droughts in the history of Saskatchewan. The crop year got off to a lush start and then there was no rain to keep it going. Also, we had one of the largest outbreaks of grasshoppers in many years in large areas of Saskatchewan, and then we were hit with an early and very severe frost. I do not know whether last year was the worst year in terms of the percentage of the grain crop damaged by frost. Perhaps Senator McNamara can comment on that.

Senator McNamara: You should not have asked; 1928 was a very bad year.

The Chairman: You have to go back a long way, which only proves that last year was one of the worst years in history. In southern Saskatchewan we were also hit with a very early and very heavy snowfall. My own view as a farmer is that if you got off that lucky in Saskatchewan in one of the worst years in history, what are you worried about? We may all be gone by the time we get another year like 1937!

Senator McElman: If I may comment on your remarks, Mr. Chairman, it seems to me that your problem is not one of crop insurance, but rather that you were struck with the five biblical plagues. I think you had better start worrying about what you are doing.

The Chairman: Along with 70,000 other farmers, yes. Are there further questions or comments?

Senator Fournier (Restigouche-Gloucester): I notice that the six provinces which I would regard as the rich provinces from an agricultural point of view have chosen the plan whereby 50 per cent is paid by the farmers and 50 per cent by the government, whereas the four remaining provinces have chosen the plan whereby the farmer pays 75 per cent. What is the exclamation for that?

Mr. Gorrell: That is not quite right. The farmers only pay 50 per cent of the calculated premium in all cases. In the six provinces where the federal government pays 50 per cent of the premium, the province pays all of the administrative costs. The other provinces have calculated that it is to their advantage to pay 25 per cent of the premium and 50 per cent of the administrative costs. Because their programs are small, administrative costs relative to premium costs are are high. As soon as their programs get to the stage where they are receiving more premiums with little increase in administrative expenditures, then they will switch to the other option. It is entirely up to the provinces which option they take. They take whichever is to their financial advantage.

The Chairman: It would be of assistance to the committee, Mr. Gorrell, if you could provide the committee with the various agreements outlining the types of coverage in the various provinces so that the committee can determine, for example, how Prince Edward Island shapes up against New Brunswick. You have provided us with these figures for the western provinces which, I think, are quite adequate. If we had the current information on the other provinces, it would be helpful.

Mr. Gorrell: I do not have that information with me today, Mr. Chairman, but I will see to it that it is forwarded to you.

The Chairman: I think we will agree, then, that if it comes in time we will print it as an appendix to the proceedings of today; if not, we will print it as an appendix to the proceedings of a future meeting of the committee.

Senator McElman: I should like to get back to the question of potatoes for a moment, Mr. Chairman.

The Chairman: Very well.

Senator McElman: As I understand it, New Brunswick is now bringing potatoes under the crop insurance program. What I should like to do is relate it to what could have happened this year.

The largest part of the potato-growing area in New Brunswick is in the mid-upper Saint John River valley, which is heavy ridge country. It is ideal for potato growing, but it is also an area that is extremely susceptible to what could be called mini-hurricanes in the summer which have associated with them torrential rainfalls. You can imagine what happens to potato crops on the sides of these great valley ridges.

It is also a grain-growing area, but I will stick with potatoes for now. It seems to me that in this past year, had crop insurance been in effect for potatoes, the most fortunate person in New Brunswick would have been the one whose crop was wiped out by one of these mini-hurricanes in an isolated area, as he would have received a return on 80 per cent of his crop, his normal yield, whereas the farmer five miles away on a smaller medium-sized farm may have only sold 30 or 40 per cent of his crop at depressed prices.

These hurricanes strike in limited areas. For instance, New Denmark, which I am sure you are familiar with, could be almost wiped out as a result of one of these mini-hurricanes and the rest of the potato-growing area hardly touched at all.

Mr. Gorrell: This could happen; there is no doubt that it could happen. It has to be remembered, though, that the price that would have been applied for crop insurance would certainly not have been the price he received in 1974; it would have been substantially less than that.

Senator MrElman: Cost, not price.

Mr. Gorrell: Yes.

Sengtor McElman: I understand that.

Mr. Gorrell: We would always try to encourage provincial authorities to keep the price below the market price. We could just about guess that the price would not be another six cents, as it was last year. I do not know what they might have used, whether an average of the previous five years or something like that. I really do not know what they might have used. What they are suggesting for 1975 is two and a half cents I believe in New Brunswick. With 80 per cent of normal crop at two and a half cents, would most growers gamble for that or would they rather have the crop? As it turned out, they might have been better off.

Senator McElman: I am not talking about his gamble. I am talking about the end result.

Mr. Gorrell: In the end result he may have been better off; that is possible. I think that is only fair.

The Chairman: There is an element of price income stabilization in crop insurance.

Mr. Gorrell: Certainly.

Senator McElman: In this situation he would be better off. In effect, he would have a better profit, or a lesser loss situation.

Mr. Gorrell: "Lesser Loss" is probably a better expression. This can happen quite regularly with crops when the actual market price is not set until the fall. With crops where the price is pre-set or there are contracted prices, cereal crops for example, this is not likely to happen, because the costs of production are not likely to vary that much. It is more likely that the price will be depressed. On the other hand, prices can go up pretty quickly too. A year or two ago in Ontario the price of white beans went up to about 40 cents, and we were insuring them at seven cents. It looked rather ridiculous to the farmer. It is just a reverse type of situation. The odd farmer got wiped out completely; he collected his seven cents per pound and his neighbour down the road was selling his beans for 40 cents. It made crop insurance look rather ridiculous, but the objective of crop insurance had still been met; it had basically covered his costs of production.

The Chairman: I am reminded that if we are to repeat some of this material as an appendix to our proceedings we need a motion to that effect.

Senator Michaud: I so move.

Senator Williams: I second the motion.

The Chairman: Is that agreed, honourable senators?

Hon. Senators: Agreed.

The Chairman: Before we adjourn, honourable senators, I would suggest that the steering committee look into the possibility of holding a meeting during the Easter adjournment of the Senate, in order to invite members of

the Canadian Federation of Agriculture, who will be in Ottawa for their annual presentation to the government, to appear. Also I suggest that representatives of provincial crop insurance boards and provincial ministers of agriculture be informed of our discussions and informed that we

would be interested in hearing any representations that they might wish to make. Is that agreed?

Hon. Senators: Agreed.

The committee adjourned.



APPENDIX "A"

			1 110010110	OI DILL EXECUTION "A					
		Spring Wheat	Winter Wheat	0ats	Barley	Grain Corn	Mixed Grains	Buck- wheat	
P.E.I.	1974	2.5¢- 3¢/1b		2.5¢- 3¢/1b	2.5¢- 3¢/1b		2.5¢- 3¢/1b		
	1975	4¢- 5¢/1b		4¢- 5¢/1b	4¢- 5¢/1b		4¢- 5¢/1b		
Nfld.	1974								
	1975								
N.B.	1974	2.5¢- 3.5¢/1b		2¢- 3¢/1b	2¢- 3¢/1b				
	1975	5¢- 7¢/1b		4¢- 6¢/1b	4¢- 6¢/1b		4¢- 6¢/1b		
N.S.	1974	2.5¢- 3.5¢/1b	3.5¢/1b	2.5¢- 3.5¢/1b	2.5¢- 3.5¢/1b	2.5¢- 3.5¢/1b	2.5¢- 3.5¢/1b		
	1975	3.5¢- 4.5¢/1b	3.5¢/1b	3.5¢- 4.5¢/1b	3.5¢- 4.5¢/1b	3.5¢ 4.5¢/1b	3.5¢- 4.5¢/1b		
Quebec	1974	\$1.80		\$1.02	\$1.44		\$1.20		
	1975	\$2.40 \$2.70 \$3		\$1.36 \$1.53 \$1.70	\$1.92 \$2.16 \$2.40	\$2.24 \$2.52 \$2.80	\$1.60 \$1.80 \$2		
Ontario	1974 1975		\$1-\$1.50 \$2-\$2.50 \$3 \$1.50 \$2.25	3.2¢- 3.8¢/1b 2¢-2.6¢ 3.2¢		90¢-\$1.35 \$1.80 \$2.25 \$1.30 \$1.95			
Manitoba	1974	\$1.50 \$2.25	\$3	3.8¢/1b 60¢ \$1	85¢ \$1.40	\$2.60 \$1.60 \$2.50	80¢ \$1.20	\$1,50 \$2.50	
	1975	\$1.85 \$2.75		75¢ \$1.25	\$1.05 \$1.75	\$2 \$3.15	\$1 \$1.50	\$1.85 \$3.15	
Sask.	1974	\$1.50 \$2.25		50¢ \$1	90¢ \$1.40				
	1975	\$1.50 \$2.25		50¢ \$1	90¢ \$1.40				
Alta.	1974	\$1.50 \$2.50		60¢ 90¢	80¢ \$1.40				
	1975	\$1.50 \$2.50 \$3.50	\$1.50 \$ 2.50	60¢ 90¢ \$1.20	80¢ \$1,40 \$2.00		70¢ \$1.10 \$1.75		
В.С.	1974	\$1.50 \$2.50		60¢ 90¢	90¢ \$1.40				
	1975	\$1.50 \$2.50		66¢ \$1.10	\$1.05 \$1.75				

		Fall Rye	Field Peas	Spring Rye	Rape- seed	Flax	Soy- beans	Mustard Seed
P.E.I.	1974							
	1975		4¢- 5¢/1b					
Nfld.	1974							
	1975							
N.B.	1974							
	1975							
N.S.	1974							
	1975							
Quebec	1974				\$1,90			
	1975				\$1.90			
Ontario	1974						\$2 \$3 \$4	
	1975						\$3 \$4 \$5	
Manitoba	1974	94¢ \$1.50	\$1.75 \$3		\$2 \$3	\$2.25 \$3		\$2 \$3
	1975	\$1.20 \$1.85	\$2.20 \$3.75		\$2.50 \$3.75	\$2.25 \$5		\$2.50 \$3.75
Sask	1974	\$2.50 \$3.50			\$2 \$3	\$2.50 \$3.50		\$1.50 \$2.50
	1975	\$2.50 \$3.50			\$2 \$ 3	\$2.50 \$3.50		\$1.50 \$2.50
Alta.	1974				\$2 \$3	\$2 \$3		
	1975			\$1 \$1.75 \$2.25	\$2 \$3 \$5	\$2 \$3 \$5		\$2 \$3 \$5
В.С.	1974				\$2 \$3			
	1975				\$3 \$5			

		CRO	P INSURAN	CE UNIT	PRICE COMP	PARISON #3		
		Sun- flowers	Silage Corn	Tame Hay	Fodder Oats	Apples	Apricots	Sweet Cherries
P.E.I.	1974							
	1975							
Nfld.	1974							
	1975							
N.B.	1974					2¢-3¢- 4¢/1b		
	1975					2¢-3¢- 4¢/1b		
N.S.	1974		\$6- \$8/ton			1¢-1.5¢- 2¢-2.5¢-3 3.5¢-4¢/1		
	1975		\$8- \$10/ton			2¢-3¢-4¢ 5¢/1b		
Quebec	1974		\$20/ton	\$20/ton		\$1.35		
	1975		\$25/ton	\$25/ton		\$2		
Ontario	1974			\$20/ton		2¢-3¢- 4¢/1b		16¢/1b
	1975			\$20/ton		3¢-4¢- 5¢/1b		16¢/1b
Manîtoba	1974	4ç- 6¢/1b						
	1975	6¢- 8¢/1b		Forage \$16- \$24/ton				
Sask.	1974	4¢- 6¢/1b						
	1975	4¢- 6¢/1b						
Alta.	1974							
	1975							
B.C.	1974							
	1975							

		Sour Cherries	Peaches	Pears	P1ums	Prunes	Straw- berries	Rasp- berries
P.E.I.	1974							
	1975						25¢- 30¢/qt	
Nfld.	1974							
	1975							
N.B.	1974						2¢-2.5¢- 3¢/1b	
	1975						2¢-2.5¢- 3¢/1b	
N.S.	1974						20¢-25¢- 30¢/qt	
	1975						20¢-25¢- 30¢/qt	
Quebec	1974							
	1975							
Ontario	1974	8¢-12¢- 16¢/1b	3¢-5¢- 7¢/1b	3¢-5¢- 7¢/1b				
	1975	16¢/1b	5¢-7¢- 9¢/1b	5¢-7¢- 9¢/1b				
Manitoba	1974							
	1975							
Sask.	1974							
	1975							
Alta.	1974							
	1975							
В.С.	1974						16¢/1b	18¢/1b
	1975						16¢/1b	18¢/1b

		CR	CROP INSURANCE UNIT PRICE COMAPRISON #5					
		Blue- berries	Logan- berries	Cran- berries	Grapes	Green peas	Sweet	Tomatoes
P.E.I.	1974					\$120/ton		
	1975					\$150/ton		
Nfld.	L974							
	1975							
N.B.	1974							
	1975							
N.S.	1974	8¢-11¢- 14¢-17¢/1	Ь			\$130/ton		
	1975	8¢-11¢- 14¢-17¢/1	b			\$156/ton		
Quebec	1974					\$135/ton		\$22.50 \$28.12 \$31.50/ton
	1975					\$160/ton		\$40/ton
Ontario	1974					\$150/ton		\$48.25/ton
	1975							
Manîtoba	1974					\$1.50 \$2.50		
	1975							
Sask.	1974							
	1975							
Alta.	1974					\$140/acre	\$135/acre	
	1975							
B.C.	1974	15¢/1b		12¢/1b				
	1975	15¢/1Ъ		12¢/1ь				

CDOD	TNSHRANCE		INTT	PRICE	COMPARISON #	6
CROP	INSTIKANCE	-	UNTI	LIVICE	COLT WILLDOW II	V

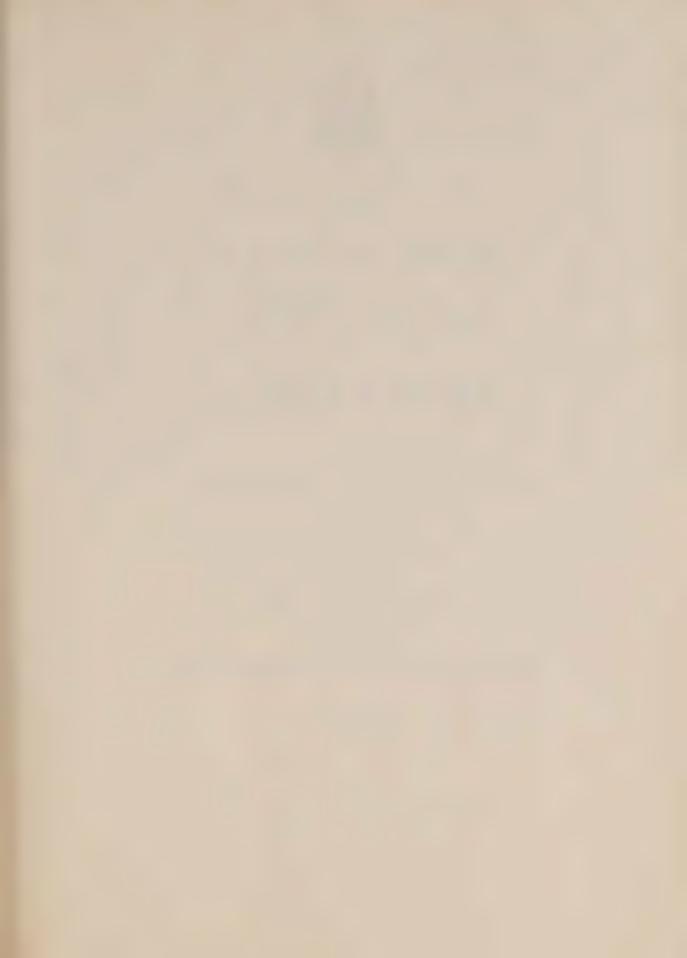
		Red Beets	Seed Onions	Onion Sets	Broccoli	Brussels Sprouts	Cauli⊷ flower	Turnips
P.E.I.	1974				7¢/1b	7¢/1b	6¢/1b	\$1
	1975				7¢/1b	7¢/1b	6¢/1b	80¢
Nfld.	1974							\$1.50
	1975							
N.B.	1974							
	1975							
N.S.	1974							
	1975							
Quebec	1974							
	1975							
Ontario	1974	\$185/acre	\$1.75/bag	\$3/bag				
	1975		\$1.80/bag	\$3.80/bag				
Manitoba	1974							
	1975							
Sask.	1974							
	1975							
Alta.	1974							
	1975							
B.C.	1974							
	1975							

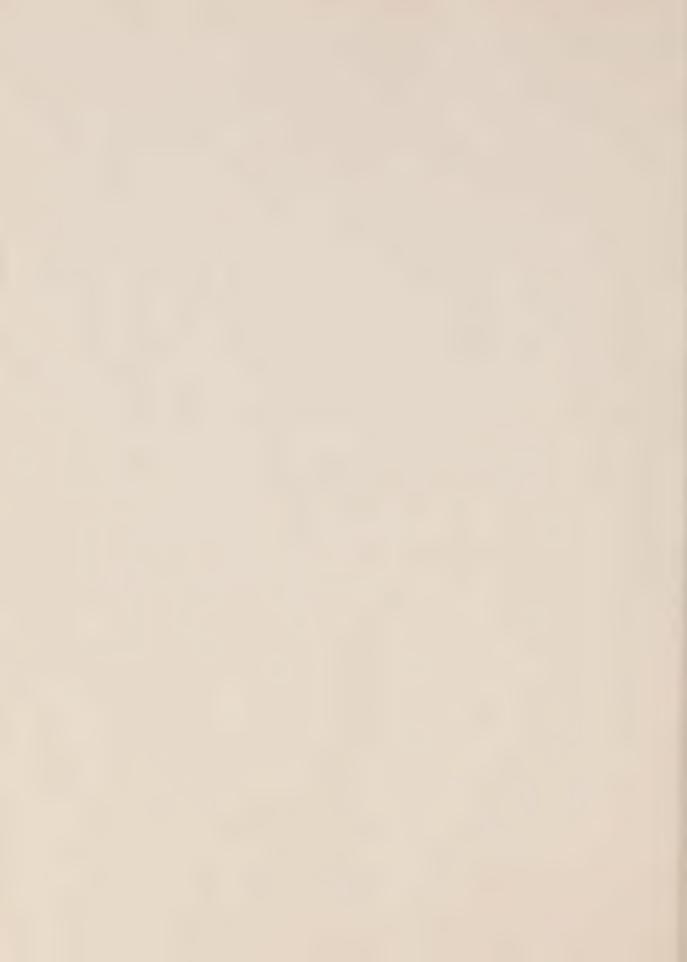
CROP INSURANCE -- UNIT PRICE COMPARISON #7

		Potatoes	Green Beans	Yellow Beans	White Fiel d Beans	Coloured Field Beans	White Beans	Sugar Beets
P.E.I.	1974	1¢-1.5¢- 2.5¢/1b					15¢/1b	
	1975	2¢-2.2¢- 2.5¢/1b					15¢/1b	
Nfld.	1974	2¢/1b						
	1975							
N.B.	1974							
	1975	2¢- 2.5¢/1b						
N.S.	1974		\$75/ton	\$75/ton				
	1975		\$85/ton	\$85/ton				
Quebec	1974	1.25¢- 1.5¢ 1.75¢/1b	\$40 \$50 \$56/ton	\$50 \$62.50 \$70/ton				\$12/ton
	1975	1.8¢ 2¢ 2.4¢/1b	\$85/ton	\$85/ton				\$16 \$24/ton
Ontario	1974	1.7¢ 2¢			6¢-9¢- 12¢-	6¢-9¢- 12¢-		
	1975	3¢/1b 1.8¢ 2.1¢ 2.4¢/1b			15¢/1b 7¢ 11¢ 15¢/1b	15¢/1b 7¢ 11¢ 15¢/1b		
Manitoba	1974	1.4¢/1b						\$12.25/ton
	1975	1.4¢ 1.75¢/1b						\$12.25 \$15/ton
Sask.	1974							
	1975							
Alta.	1974		\$155/acre					
	1975	2¢ 3¢ 4¢/1b						
В.С.	1974	,, =0						
	1975							

Data supplied by Director of Crop Insurance, Agriculture Canada







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- H48 Publications



FIRST SESSION—THIRTIETH PARLIAMENT 1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

LIBRAD UNIVERSET. CO CORCINO

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 13

TUESDAY, APRIL 8, 1975

Annual Presentation of the Canadian Federation of Agriculture

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman,

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue, H.
Blois, F. M.
Côté, J. P.
*Flynn, Jacques
Fournier, M.

(Restigouche-Gloucester) Norrie, Margaret F. Haig, C. *Perrault, R. J.

Hays, Harry Inman, F. E. Lafond, P. C. McDonald, A. H.

 $*Ex\ officio\ members$

(Quorum 5)

McElman, Charles McGrand, F. A. McNamara, W. C. Michaud, H. J. Molgat, G.

*Perrault, R. J.
Sparrow, H. O.
Welch, F. C.
Williams, G. R.
Yuzyk, P.—(21)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate.

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Tuesday, April 8, 1975

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day, at 2.00 p.m. to consider the Annual Presentation of the Canadian Federation of Agriculture.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Inman, Lafond, McElman, McGrand, McNamara, Michaud and Yuzyk. (9)

Present but not of the Committee: The Honourable Senator McDonald.

Witnesses:

Canadian Federation of Agriculture:

Charles G. Munro, President, Ontario;

Roland Pigeon, 1st Vice President, Quebec;

Dobson Lea, 2nd Vice President, Alberta;

Wm. Daman, CFA Executive, Canadian Horticultural Council;

H. Falkenberg, CFA Executive, Alberta;

Glenn Flaten, CFA Executive, Saskatchewan;

Howard Fuller, CFA Executive, Nova Scotia;

A. E. Hall, CFA Executive, Manitoba;

A. Hamming, CFA Executive, Prince Edward Island;

J. A. McCague, CFA Executive, Dairy Farmers of Canada;

Eldon McCullough, CFA Executive, New Brunswick;

R. Reynolds, CFA Executive, British Columbia;

A. Smith, CFA Executive, United Grain Growers:

Frank Wall, CFA Executive, Ontario;

J. D. Deveson, Manitoba Pool Elevators;

David Kirk, Executive Secretary, Canadian Federation of Agriculture;

Wm. Hamilton, Assoc. Executive Secretary, Canadian Federation of Agriculture;

Paul Couture, President, Union of Agricultural Producers, Quebec.

At $3:50\ p.m.$ the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, April 8, 1975

The Standing Senate Committee on Agriculture met this day at 2 p.m. to consider the annual submission of the Canadian Federation of Agriculture.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: On behalf of the Standing Senate Committee on Agriculture I wish to welcome most heartily Mr. Charles Munro, President of the Canadian Federation of Agriculture, Mr. Dave Kirk, the Secretary, and their associates, whom Mr. Munro will introduce later.

I think I should name for you the members of the Standing Senate Committee on Agriculture who are here this afternoon so that you will be able to recognize them by name, if you do not already know them. They are: Senator Inman, Prince Edward Island; Senator Fournier, New Brunswick; Senator McDonald, from Saskatchewan; Senator McNamara, from Manitoba; and Senator Lafond from Quebec.

I think I should say to the representatives of the Canadian Federation of Agriculture that the Standing Senate Committee on Agriculture, although it is only two or three years old, is one of the most active committees in the Senate. This year we have had the honour to have given to us by the government, two bills to be initiated in the Senate. We, as you know, are members of our respective party caucuses, and we are in a position to make representations to some of the same people you make representations to when you come here. Some of us have made representations that we think, along with your own, are bearing fruit in the interests of agriculture and in the interests of the farmers of this country. We have initiated, in this Senate committee, a study of crop insurance across the country, in the hope that we shall make our contribution to making improvements in crop insurance as they may apply from province to province, in the hope that the benefits will be increased and in the hope that there will be more uniformity.

I apologize for my lengthy opening remarks, but I just wanted to assure you that we are all friends together, working for a common cause, and that we will do everything we can to bring about the implementation of many of the policies that you are putting forward today.

We recognize the statute and the status of the Canadian Federation of Agriculture in Canada, and we are pleased to have you here today. Mr. Munro?

Mr. Charles Munro, President, Canadian Federation of Agriculture: Thank you, Senator Argue and honourable senators. We have been looking forward to meeting with you again on this occasion. We met with the cabinet yesterday morning and made known to them the greatest areas of concern to us and the policies that we think should be implemented in the coming year.

Our brief has been put in your hands, though I am not sure whether you have had it long enough to have the opportunity to go through it. In any event, I do not intend to read it to you. I propose instead to indicate initially some areas of greatest concern. To that end, after I have made my short introduction, there are a number of people I would like to make a short initial statement in the various areas of concern. With your permission, Mr. Chairman, we will do it that way.

The Chairman: Certainly.

Mr. Murro: There are six critical areas of policy requirement in Canadian agriculture, as we see them today, and I would say that this is definitely an outgrowth of our annual meeting early in February. Our concern is heightened in these areas.

The first of these requirements is that there must be greatly strengthened and improved policies for income stabilization and protection, and these must be placed in a sound framework of national policy.

Secondly, there must be rapid progress in defining Canadian transportation needs and objectives, for the short and long run, and in positive action to achieve them.

Thirdly, there must be urgent efforts to bring the nations together to implement basic international programs of orderly marketing of grains for farmer security, and reserve policies for world food security. These two are indivisible and must be dealt with as a whole.

Fourthly, there must be new policies put in place that will stop and correct the disastrous deterioration, as a result of work stoppages, of Canada's position as a dependable supplier of grain for export.

Fifthly, there must be active steps taken for the fundamental protection and improvement of our agricultural research capability.

Sixthly, there must a coherent combined federal and provincial approach to measures for the preservation of our agricultural land base, and these measures must not be taken at the farmers' expense.

In each of these issues the public as well as the producer interest is deeply involved. I do not think we should take that statement lightly because, frankly, each one of us, whether we are producers of food or not, in this country at least, looks forward to having three meals a day.

As I mentioned previously, I have a number of people who are prepared to deal with our areas of greatest concern, by making a short summary. On stability and income security I would like Mr. Dobson Lea to come forward.

Mr. Dobson Lea, Second Vice-President, Canadian Federation of Agriculture: Mr. Chairman and members of the committee, I would like to say a few words about farm income stability. As you are probably aware, some agricul-

tural commodities in Canada have arrived at a measure of stability through planning, notably dairy and poultry commodities. The stabilization act that we have had in effect here in Canada for more than 20 years, I believe, has, on occasion, provided assistance through floor price and surplus purchase plans under distress price situations. The disadvantage of this floor price idea has been that the support could never be adequate to return the full cost of production without providing the kind of incentive that would create manageable surpluses; so the Canadian Federation of Agriculture, in general, supports Bill C-50 that is presently being discussed, because we believe that it can provide for a higher level of net return on agricultural commodities through agreements between producers and provincial governments and the federal government. We hope that it will be possible to arrange for not only comparative advantage, but for good planing, for supplementary programs to our present marketing boards and other marketing agencies, and that it will provide for income insurance that will produce food in a very efficient manner, rather than the in-and-out, boom-and-bust situation that has been so injurious to farm incomes in the past.

Mr. Munro: Thank you, Mr. Lea. Mr. Flaten will now comment on transportation.

Mr. Glenn Flaten, CFA Executive, Saskatchewan: Thank you, Mr. Chairman. Our view is that we need a national transportation policy in this country, particularly as this relates to the rail industry. We think that this should be a policy that evolves through an input by producers and provincial governments, along with the federal agencies, rather than an attempt to have an overall master plan to begin with. I think that this is an evolutionary process.

We think that you can put up a very strong case for some rather substantial federal government capital input into upgrading the rail transportation system, because we can relate the transportation system in rail to that of the highways, the harbours and airports, in which forms of transportation there is provincial-federal capitalization. We think that the public has a very real responsibility in terms of the upgrading of rail beds, the provision of special cars for particular products and this type of thing, much like the hopper cars that have been provided for grain. We feel very strongly about the retention of the Crowsnest rate for grain because of the importance to the whole Canadian economy of grain in the export market.

We have some hesitation about the whole area of variable freight rate structures, particularly as they relate to grain and how it would affect grain rationalization on the prairies.

In terms of the rail line abandonment program in the prairie region, we see the need for getting hold of the plan for the handling of the hearings, the relationship of the particular lines, the viability, the information that is going to be becessary to make a proper assessment of the viability of each of the branch lines.

It has been indicated to us that there are going to be costs disclosed by the railroads. One of our concerns is, what is to be done with those costs once they are disclosed, and how do we really get after them to find out what the real basis of the costs is in the rail system? Basically, this opens up the subject for questions later on.

Mr. Munro: Thank you, Mr. Flaten. I would like Mr. Hamming, from Prince Edward Island, to deal with industrial disputes.

Mr. A. Hamming, CFA Executive, Prince Edward Island: Thank you, Mr. Chairman.

Ladies and gentlemen, we as Canadians can be very proud that we are pretty near the top of the list; Italy is just ahead of us. But can we be proud—because the list is the lost man-days? We are the second highest all over this world. Last year we lost 91/2 million man-days. Four years ago, we lost about 256,000. So we have really progressed but in the wrong direction. What does it mean to us as Canadians? What does it mean to us in the field of agriculture? We see the stoppages on the West Coast and the stoppages all over the provinces. Right now in Prince Edward Island the milk plant is closed up, and the farmers do not know where to go with the milk. When we circle all over this country, we have to realize that if we continu- in the direction we are going now we are going downhill. For the farmers there is a tendency to grow larger. We have to realize that if we grow larger we will have to have farm labourers, and then they become organized. They go on strike, under the system, as soon as the sowing season starts, or as soon as the harvest season starts, or as soon as all the cows are fresh and need to be milked twice a day. We must not continue in the way we are going now. We have to do something to solve this severe problem. We, the Canadian Federation of Agriculture, have looked into this matter very seriously and have come to the conclusion that something should be done. We are in favour of arbitration, compulsory arbitration, as the only way out.

Mr. Munro: Thank you, Mr. Hamming. Now I would like Mr. Reynolds to deal with agricultural research.

Mr. R. Reynolds, CFA Executive, British Columbia: Honourable senators, Canada has had a very good record in the past with regard to agricultural research. Much of it has been done at the research stations across Canada, and to some extent at the universities. Because of rapid inflation, and the budget for research not properly keeping up with inflation, we are experiencing shortages of staff at the research stations, with lesser amounts of money for travelling in relation to research and lesser amounts of money for the projects involved. We think that it is not proper to let the research station system go to seed across the country. We think that much good work in the past has come from it and with proper funding much good work in the future could come from it.

We are really not taking the best advantage of the technology that could be developed in agriculture. There is a great potential for technology. There has been in the past and there is yet a great potential for technology in production agriculture.

Also, we believe that a major problem with regard to research is finding the scientists. This, of course, requires proper funding of the departments of agriculture at the universities, because it is at these university departments that these scientists are trained and developed. They need funding for their projects, not only from the point of view of the pure research that comes from this kind of funding, but more importantly in the training of the future scientists to work in agriculture.

Mr. Munro: Thank you, Mr. Reynolds.

Now we would like to take a look at international grain marketing, and I would ask Mr. Lea to deal with that subject matter.

Mr. Lea: Honourable senators, the Canadian Federation of Agriculture has always strongly supported international grain agreements and arrangements. The Government of Canada has, as well. We would like to point out at this time as very urgent that some policy for reserve stocks on an international basis be considered and promoted. We realize there are problems connected with this matter, when to trigger the setting aside of these reserves, or how to keep them insulated from the market place. We feel that this reserves policy is something that should also apply within Canada.

We feel that the upset livestock industry we have at the present time could partly at least have been avoided if there had been a reserve livestock policy three or four years ago to carry the grain a little longer until it was able to handle itself.

We are interested in Bill C-41, the stabilization act proposed for the western grain industry. We think it has been improved considerably since it was first introduced. However, there are a number of amendments that we would still suggest. We feel that new farmers entering the program should perhaps have the option of dropping out, if necessary. We feel that the stabilization act, as it is now indexed, is an improvement and that there should be more provision for indexing, to relate the income more to the costs of operation. These are some of our thoughts, Mr. Chairman, with regard to international grain marketing and the need for reserve stocks, both in Canada and at the local level.

Mr. Munro: Thank you, Mr. Lea.

I would like to call upon Mr. Roland Pigeon to deal with land use.

[Translation]

Mr. Roland Pigeon, First Vice-President of the Canadian Federation of Agriculture: Mr. Chairman, ladies and gentlemen, I think that, as Canadian citizens, we all know that Canada is a big country, a huge country, and we thought that her arable lands were infinite. However, in recent years, we have witnessed the development in urbanization, and increases in population which require more services. Moreover, highways, airports and housing are being developed. So, I think that we must all say, that there is a wasting of our lands.

When we consider that in a province like Ontario where the greatest potential, for example, is in the south, and where each year thousands and thousands of good arable lands disappear, we believe that now is the time to try together, the Canadian Federation of Agriculture and the governments concerned, both federal and provincial, to develop a policy regarding the use of lands, not only in the best interest of farmers, because I think we have a broader outlook than that. But, we think that it is in the best interest of all Canadian citizens because, at the pace at which things are going, especially with the food needs arising all over the world, before long, we will have no arable lands left if we continue to waste them.

We have tried to bring about meetings in order to develop an applicable policy to try to preserve our arable lands, but, as of now, this has not been possible. However, I think that it is time that we try, all together, especially

with the federal government, to reach an agreement. I think that the latter, more than anybody else, should set an example. It must try, with the provinces and the agricultural organizations concerned, to preserve our arable lands. because you know what it entails. It is not an easy policy to apply, both for politicians, if you want, and farmers, because it is not easy, especially if a farmer can sell his land at a reasonable price which would guarantee him a comfortable retirement. If the land is zoned, for example, he will not be able to sell it, and we will have to develop policies in order to compensate him in one way or another. I think that this is not an easy policy to apply. But, through concerted efforts it should be possible, in a huge country as Canada, to establish a policy regarding the use of lands in order that they be better used under all aspects, especially to continue producing food for Canadians and assisting other countries which do not produce enough themselves.

So, we ask your support in that regard so that, together, we try to put up a policy concerning the use of lands. Thank you, Mr. Chairman.

[Text]

Mr. Munro: Thank you, Mr. Pigeon.

I would now like to call upon Mr. McCague to deal whith dairy policy.

Mr. J. A. McCague, CFA executive, Dairy Farmers of Canada: The dairy farmers of Canada for many years have advocated a program that would ensure an adequate supply of dairy products for all of the people in Canada, and also at the same time supply an equitable incomme to dairy farmers. As you may have realized, that income has been insufficient for so long that for the past few years dairy farmers have been dispersing at a rapid rate, with the result that we have had to import in the neighbourhood of 50 million pounds of butter or more for the last several years.

Dairy farmers have advocated a formula type of princing which would guarantee sufficient income to keep them in business and to keep them supplying milk for the people of Canada. Dairy farmers presented a formula to this effect at this year's annual meeting. However, when the policy for 1975-76 was presented on April 1, the price set was not as high as most dairy farmers had expected. On April 18, this month, however, the Minister of Agriculture is supposed to present to dairy farmers a new formula for milk pricing; we hope it will be sufficient and that we will have an efficient dairy in Canada which will keep the dairy farmers on the job producing milk for Canadians.

Mr. Munro: Thank you, Mr. MaCague.

That, Mr. Chairman, brings us to the end of the summary. With your permission, Mr. Chairman, I should like our people from the Canadian Federation of Agriculture to introduce themselves before we continue.

Those members of the Canadian Federation of Agriculture in attendance introduced themselves, to the members of the committee.

The Chairman: Are there any questions?

Senator McDonald: Mr. Chairman, I believe there is general recognition in Canada today that we have probably arrived at the time when the rail beds of this nation ought to become the responsibility of the nation. There are

many reasons for arriving at that conclusion, not the least of which is the fact that both our ports and our highway systems are developed and maintained by the people of Canada, either provincially or federally. It seems to me that we have long since arrived at the point where the railroad beds of the nation must also be built and maintained by the national gouvernment.

Having arrived at that conclusion, I think it follows that there are many thousands of miles of railroad in this country which we cannot expect to rebuild or maintain at a level which will enable them to carry the box cars or hopper cars or tank cars, or other type of cars needed in a modern transportation system.

There is talk of rail line rationalization or abandonment, but no organization I know of has said that we should abandon this railroad or that railroad. Everyone is in favour of rail line abandonment, but they do not want their own rail lines abandoned. I only wish some of the organizations pushing for a so-called new railway transportation policy would come to a conclusion with respect to what railroads they think ought to be maintained, rebuilt, or brought up to a standard whish will carry the biggest loads possible today at reasonable speeds and with all of the necessary safety.

I repeat that I do not think for one moment that this country can afford to build all the present rail beds up to that standard, and that neither the elevator companies, whether privately or co-operatively owned, nor the farm organizations, to my knowledge, have said what railroads they want to retain and what ones they want to dispose of. I know it is a ticklish question and it is difficult to tell anybody living in any community that he has to give up his railroad, but I believe that we all have to make an effort to come to a decision, and the sooner the better, with regard to how many miles of railroad we can built and maintain—and here I am speaking of first-class railroads, for the future development of Canada. I wish that the Canadian Federation of Agriculture would lend their effort in this regard to help to define the maximum or the minimum rail system that will supply the needs of Canadians and which will be within the ability of Canadians to pay for, in the first place, and to maintain in the future.

In the same connection, I am rather concerned, as I know you all are, with regard to work stoppages. This question was dealt with by Mr. Hamming. But part of this tremendous loss of working days is due to the fact that we have so many unions to deal with. When you talk about moving virtually any product in Canada, and especially grain, it seems you only get one agreement signed with labour, settling one dispute, when you find you have another one on your hands. It seems to me that we have ar ved at the point in time that if you are going to have any consistency in the moving of grain in Canada then it is long past the day when we should have all the people concerned in the handling of grain in one union. I do not know how this can be brought about, but I am as concerned as anybody else in this room, or anyone outside of it for that matter, at the fact-and this appears from the figures that have been given to us-that we lose nine million working days in Canada, and I realize that the nation cannot afford this. It is not only the farmers who are being penalized, but every person in Canada is being penalized to the extent that we can no longer afford this situation. I should like to see some effort being made to bring about a situation where we would have far fewer unions involved in the movement of any one single product.

As far as the settlements of strikes are concerned, I cannot say what the answer is. Different systems have been tried throughout the world and most of them without the greatest of success. Probably the best example that I can mention is that of West Germany, but whether we can use the methods used in West Germany is another matter. Canadians are somewhat different from the West Germans, and I think we all recognize that. Whether Canadians would stand for that amount of regimentation is a very big question to which I do not know the answer, but I do know that Canadians are sick and tired of the transportation system as it exists today and the haphazard manner in which it moves products from one part of the country to another. Again I think that governments have to have co-operation and help from farm organizations and the farming industry and movements generally in taking a bold forward step. This would help in assisting governments to develop policies aimed towards rectifying many of the problems that I have referred to.

I think, Mr. Chairman, that I shall leave my remarks there for the time being, and perhaps I shall have an opportunity later of adding some other things I want to say.

The Chairman: I am sure some of the representatives here would wish to respond to the points raised by Senator McDonald with regard to transportation and work stoppages, but perhaps I might be permitted to add a supplementary question here. Would it be fair to say that nearly all of the work stoppages, as far as marketing difficulties are concerned in relation to grain, have been outside the Prairie provinces? We have been able to get the grain outside the Prairie provinces, but after that it just has not gone anywhere. So, bad as our system may be, at least it has been functioning insofar as it deals with moving grain within the prairies and to points outside the prairies.

Mr. Munro: I should like to ask Mr. Flaten, from Saskatchewan, to deal with this because some of our major exporters of grain are from that province and I think they are probably concerned more than anybody else.

Mr. Flaten: Mr. Chairman, I think it is an interesting concept that we should talk about nationalization of rail beds. I think this is one of the possibilities. We think that in the transportation system there are a number of things that could be done to improve the system without large inputs of capital. That could involve the transfer of lines from one company to another, or it could involve joint running rights, particularly through the mountain area and into the port area of Vancouver. There could be the building of short connecting links that might result in fewer backhauls on lines, and this type of thing.

In connection with weight restrictions on some of the lines, we think it is not necessary that all rail lines carry the hopper car. I think you can devise a system where you can pull in with lighter cars to main lines. We will probably always use a certain amount of the regular boxcars that can be used in this type of traffic. But we think, because of the energy involved in the use of railways as compared with trucks and because of the costs involved being much cheaper by rail than by truck, that even if you were not to fill cars up it would still be a better system than going to a trucking system. These are some points.

In terms of farm organizations taking a firm stand about the position of rail line abandonment, it is, as Senator McDonald mentioned, a very difficult question. One thing I think we need right now is to have established some kind of criteria on which hearings would be held, and that these hearings should be held on a regional basis rather than on a line-by-line basis. In that way you can look at the whole area. I can think of some areas in a province where there are three rail lines, one beside the other, and they have a one-year freeze on them. Obviously they cannot all go. Perhaps they should all stay, or perhaps two or one. But I think we need the criteria and we need the information.

Farmers generally, and particularly in western Canada, are very concerned about the question of cost disclosure, and we are beginning to feel that if the railroads are so hesitant about making some cost disclosure available, then maybe they are not losing as much money as they claim to be losing. We also have some concerns about the fact that if the so-called costs are disclosed, how do you analyze them and come out with the right answer?

Senator McDonald: May I ask a supplementary question at this point? In my view, it has taken the railway companies one hundred years to provide a bookkeeping system that neither they nor anybody else can understand. But since it has taken them one hundred years to devise it, how are you going to decipher it and come up with any meaningful figure in a matter of months in order to come to a decision as to what railroad, or what line, or what branchline needs more or less money? It seems to me that it is an impossibility, even if the so-called facts from the railways were tabled down, for that information to be deciphered in the length of time available before it was required.

Mr. Flaten: We have lost nearly four months now.

Senator McDonald: That is right.

Mr. Flaten: The other thing is, I do not think we should necessarily be apologetic about public subsidies to the grain transportation system. I think the value of grain to the national economy warrants a certain degree of public subsidy to the system.

Senator McDonald: That is why I have come to the conclusion that the nation should build the road beds. You know, once you start subsidizing grain, no matter who it may benefit, the vast majority of the people in this country are going to think it is a subsidy to the farmers; but in my view, it is as much a subsidy to a grocery store in the city of Toronto as it is to a farmer. That is why I would push for the nation to build the road beds, and then that road bed is there to move grain or anything else that anybody wants to move over it. But why subsidize the cost of moving a hundred pounds of grain? Why not subsidize the road bed? It is the same thing, but I think it is politically a lot easier to live with.

The Chairman: Perhaps I might make a comment, and you can comment on my comment if you care to. I would think that the farm organizations and the people involved in this whole study could be making a serious error if they feel that it is urgent that it be done now, and that the policy statements be done now, and that we get at it right now. I can remember 25 years ago when they wanted to abandon the railway line from Rockglen to Killdeer. As far as I know, it is still functioning once in a while, when they get enough grain down there to load a train, and I think we are involved in a job that would take at least one generation to come some distance in solving the problem. I do not think we are involved in something that we need to hurry about. As a matter of fact, I do not think there will be any hurry. Some people will be wanting to hurry, but there will not be any hurry, because once they start abandoning

lines, they will be in so much political trouble, and every other kind of trouble, that it will not happen fast; and the people on the side of hurry are just in error. You can tell me if I am wrong, but I do not think I am.

Senator Inman: Mr. Chairman, I was interested in what Mr. Hamming said about the milk business in Prince Edward Island. Is it a matter of more producers and fewer processors, or what seems to be the trouble there now?

Mr. Hamming: I did not catch your question.

Senator Inman: You spoke about milk. You said there was no place to go with the milk.

Mr. Hamming: Yes.

Senator Inman: What is the trouble? Are there more milk producers and fewer milk processors than there used to be?

Mr. Hamming: No. Central Creameries is presently out on strike. The Milk Commission is looking after the milk. They shipped milk to Newfoundland, Nova Scotia and Quebec to be processed, but the labout unions have put a stop to it, so that makes it worse instead of better, because if we bring the milk there their employees will go on strike. That is a serious situation, but it is a fairly small one compared to the situation in Canada as a whole.

Senator Inman: So a lot of it is due to labour problems, is it?

Mr. Hamming: Yes. They want an increase, more than the employers will give them, so they put a stop to the production and processing of milk. No farmer can pile milk on top of the milk tank. I called the Environmental Control Commission and asked, "What are you going to do?" If the farmer dumps the milk around, it stinks all summer. Or if they put it in the streams, then you have pollution, and you are not allowed to do that. So what should the farmer do? Should he dig a hole and dump it in there? In the present weather conditions the farmers are not able to dig a hole and, in any event, they do not have the machinery. Well, they said, "We will look after them. You put it through the treatment plant."

The Chairman: You cannot leave the milk in the cow either.

Mr. Hamming: While I have the floor I might also answer Senator McDonald's question to some degree. It is not a solution to have one union, rather than 10, among a certain group of workers, so that we do not get a strike of 14 days here, another 14 days on strike somewhere else, and another 14 days on strike somewhere else again. It solves some of the problems, but it does not solve the whole problem. The problem is how to overcome the work stoppages. We have to realize that if the government puts a stop to strike action, then the whole nation goes on strike. They do not like to have their so-called rights taken away.

It is a question of education through organizations like ours, the Chamber of Commerce and the manufacturers' organization. Everybody should start to talk about the problem and should make others aware of where we stand. If you ask the government to put the brakes on, it does not work. That is one of the reasons we came up with this resolution that we passed. We come up to you, we came up to the caucuses and committees, the cabinet, et cetera. Yesterday I attended the provincial annual meeting of the Labour-Management Relations Council in Charlotttetown.

We divided our group up into 12 workshops, and as leader of my group I had the president of the Federation of Labour. The theme of the meeting was "Working Together", but I saw right there that we are far apart, and that there is no way we can expect an early solution. I do not know how such a situation will work out, but we have to realize where we stand, and I suppose really we do, but we do not know how to solve the problem. If we go ahead like a car without brakes, we are very often happy that we just missed a mishap; but if we go ahead that way, at some time we will certainly smash up the whole thing.

But how can we solve the problem? It is a question of education and a question of attitude. They keep talking about human rights and their right to strike, but we should realize that the most important right is to fulfill our duties. That applies not only to all of us in this room, but also to everybody in this nation. As long as we carry out our duties we will get rid of an awful lot of problems.

Senator McElman: With respect to the whole milk situation in Prince Edward Island, is there currently any processing being done by co-operatives?

Mr. Hamming: We have two main manufacturing plants at Prince Edward Island. One is privately operated and the other is Amalgamated Dairy, but when that milk goes there, things go flat, and they are in trouble, as you mentioned before, The only solution, is to find, all over the place, some more separators, get the milk separated, and get the cream to the creameries, and they are willing to accept it; but where are we to go with 90 per cent of the milk that has to be destroyed if there is no outlet?

Senator McElman: But there is currently no co-operative processing.

Mr. Hamming: No. There are just some creameries that operate on a co-operative basis, but not on a manufacturing basis.

Senator McGrand: Someone mentioned—and I think I have the figures correctly—that we imported annually about 50 million pounds of butter into Canada this last few years. In which of our provinces are we deficient in butter production; and from what countries do we import butter?

Mr. McCague: Well, we import butter from wherever we can buy it, and at the cheapest price.

Senator McGrand: But from what countries?

Mr. McCague: New Zealand, Ireland, where we got some the year before last. We got some from the United States a couple of years ago. British Columbia has been short of butter, I think, since December. They have enough butter of their own now. I cannot tell you exactly the provinces in question. Quebec produces most of the butter for Canada.

Senator McGrand: Well now, there are New Brunswick and Nova Scotia. Do they produce enough butter?

Mr. McCague: No.

Senator Inman: Could enough not be produced in Canada?

Mr. McCague: We expect that in the 1975-1976 dairy year, and if not then, in the 1976-1977 dairy year, we should have enough milk to produce enough butter for Canada. We do not expect to have enough in the 1975-1976 dairy year.

The Chairman: If we are so short of butter, why is the policy followed, as I understand is the case, of cutting off the subsidy to the very small cream shippers? It seems to me we are cutting off a source of at least some supply in Canada by refusing to pay the subsidy to those who do not produce large quantities or who produce very small quantities.

Mr. McCague: Well, the subsidy has been supplied in the past year to anyone who produced; they have been given something.

The Chairman: I knew there was a change in policy. One can of cream would get a subsidy now in Saskatchewan if you produced no more cans of cream. Is that right?

Mr. McCague: I believe that is right.

The Chairman: The deputy minister was not too sure.

Senator McDonald: You mentioned earlier on that the number of dairy farmers was increasing quite drastically. What about the total production in Canada? Have you any figures for that?

Mr. McCague: The total production has been increasing also but not to the same extent as the number of farmers. Milk production per cow has been increasing. If it had not been, we would all be short of milk. If it had not been for the Dutch people who came into Canada, we would not have half as much milk as we have now.

Senator McDonald: I realize that the production per cow has been going up quite dramatically. What about the number of cows in the dairy industry? How does it compare with, say, five years ago?

Mr. McCague: It is down substantially. I have not the figures offhand, but I can get them for you before we leave.

Senator McDonald: You say it is down substantially?

Mr. McCague: That is correct.

Senator McDonald: Did this drop in the number of dairy cows take place before the cost of feed rose dramatically, or since?

Mr. McCague: Both, but it has stabilized to some extent since the price of feed has tended to drop, but more importantly since the price of milk has started to go up and there is more income from producing milk.

Senator McDonald: Is there a minimum number of cows necessary to make a viable dairy herd, or does that vary a great deal across Canada?

Mr. McCague: There definitely is a minimum number. For instance, in 1973 compared to 1972, the number of cows in Canada dropped from 2,210,000 to 2,177,000.

Senator McDonald: These are dairy cows?

Mr. McCague: Yes. That is the comparison between 1972 and 1973. We have not got the figures for 1974. Statistics Canada does not get the figures to us quite as early in the year for 1974. But we know that because of the drop in the price of beef the number of dairy cattle in Canada, especially the number of heifers, has decreased. We also know that the number of dairy cattle that were bred last year—in other words, that will be having a calf and milking in 1975—is not greatly up. So there is not any chance of having too much milk or enough milk in the 1975 fiscal

year. As far as the dairy year is concerned, we are not sure, it will increase quite a bit but not up to our requirements from a butter standpoint.

Senator Lafond: Mr. Chairman, as I do normally in this committee, I will preface my remarks by saying that these are purely the views of a layman. I am not by any means hostile to our guests. If the questions I ask or the views I express are wrong, I hope I will be told so. In order to bring our friends Messieurs Pigeon and Couture into the discussion, I will go bilingual and I may switch in mid-sentence, if I may.

[Translation]

In your first paragraph, you use precisely the following words:

there are six critical areas; policies for income stabilization and protection should be greatly strengthened and improved.

I agree entirely. But, I would like to know what is being done in terms of production stabilization.

[Text]

It is intimated to us that there should be more self-discipline existent not only in the field of transportation but in labour generally as it affects the farmer. What I would like to have is an expression of the amount of self-discipline that is existent in the farming community towards stabilization of production. Maybe the farming community over the years has gotten into bad habits through the existence of the Wheat Board, a government institution, through legislation and all that, but surely the sum total of the wisdom in agricultural production does not rest only with government? It rests, to quite an extent I would hope, with the farming community itself. We have had recent marketing boards in the poultry, chicken and egg industry, for instance, and to the consumer or the public at large, one who is not involved with production at all, this particular area seems to be in a considerable mess.

[Translation]

There is the potato market which now seems to be in trouble but not because of the consumer. A while ago, we were told that three or four years ago, they should have regulated more the marketing of our wheat reserves. If instead of three or four years, we refer to a period of four or five years, at that time we were told that we would have considerable wheat surpluses in order to reduce production in the area of feed grains, cattle and fowl feed in Eastern Canada. Well, during how many years in the East of Canada, have we fed our cattle, our fowls, with grains from the West, because it was more economical to do so and thereby we have neglected to develop the feed grain industry in the East. Our western feed grain producers happen to find openings on an international market they prefer, then our people in the East are no longer protected and they complain about it. But if the situation changes two or three years later, then it is our people in the West who complain. I am telling you all that as a layman in the area of agriculture, as somebody who looks at "La Semaine Verte", every Sunday in order to acquire some knowledge in this area. I am trying to give you an idea of the impression you make before the general public. If it is a deficiency with you in terms of public relations, I hope I have made myself useful in bringing it to your attention. If not, tell me if I am wrong.

[Text]

Mr. Munro: Mr. Chairman, the senator has raised a whole bagful of questions. I would suggest there were enough questions there to last us the rest of the afternoon. However, I am going to call upon Mr. Kirk, first, and then Mr. Couture.

Mr. D. Kirk, Executive Secretary, Canadian Federation of Agriculture: Mr. Chairman, I would like to make an observation on the question of producer discipline, with particular reference to eggs. When I am talking about discipline, I assume that we are talking about cases where the producers have supported and asked for officially policies that involve discipline rather than policies that do not—and there are some of those, of course.

In the case of eggs, I think it is a misconceptionwithout denying the difficulties that have been faced by the egg producers and that continue to exist in pretty severe form—and a mistake to imagine that those problems, primarily, lie at the level of the majority of producers who operate under regulations, with quotas. The fact of the matter is that in every province the bulk of the egg producers with quotas are adhering to those quotas, and in some of the provinces—and Ontario is a very good example of this—where they have had very severe problems of over production in relation to their national obligations, the bulk of the producers in that province have been undergoing very severe disciplinary measures as individuals and have been living with them to a very considerable extent. I am not saying that there are no problems. There certainly are problems. First of all, there is the inadequacy of control measures for those who do not play the game—and there are some, no doubt. The second problem is that the total accommodation in that province was too high to start with, and the producers, in an effort to stick with this plan, have, in fact, shown a good deal of self-discipline in adhering to quotas. I am not making a special case for Ontario. I am merely illustrating a point which is largely true in every province.

The problems that have arisen have been: first, a flat-out failure to agree, as between provinces, to the necessary negotiations, disciplines and accommodations to disagreements that are necessary to run any plan. You have to make it work and you have to negotiate continuously. The amount of experience in that respect has been disastrously low in the egg industry, and, I would suggest, in general in Canada. It has been exceedingly difficult. Second, it has been a difficult product and there are many aspects to that. For example, it is a prepackaged product which is marketed in an incredible variety of ways. That in itself has created difficulties, not all of which are solved in terms of monitoring and control. Third, there has been inadequate data right from the beginning. A significant proportion of the so-called surpluses are created by seasonal variations in demand, which are inherent in the egg industry. Indeed, one of the objectives of the plan was to stabilize those surpluses. Fourth, there has been a certain intransigence on the part of particular egg boards and on the part of certain individuals and, no doubt, on the part of provincial governments. So there have been all kinds of problems. The point I want to make is that these problems do not, at bottom, lie in an unwillingness of the generality of egg producers to submit to discipline. Essentially, the problems lie elsewhere.

What I have said is also true of the turkey plan. There has been a lot of talk about a surplus of turkey meat. Well, there was too much turkey meat last year, but one of the

major reasons, in relation to the demands and to the estimates, was that because of labour dispute problems the turkeys were fed too long before they could get to the plants. They simply grew too big.

Another problem the turkey people face now is not so much that of individual producer willingness to accede as individuals to the disciplines required, but is rather that there are arguments going on between the provinces as to where the responsibility for those strikes lies and actually where there were strikes and where there were not strikes, et cetera. In other words, the problems have to do with where responsibility lies, where most discipline should be applied and where the least discipline should be applied, and these are all provincial-level policies. It is important to distinguish between these kinds of sharing problems and the willingness of individuals to submit to the disciplines of a plan, and I feel rather strongly that this distinction should be made.

[Translation]

Mr. Paul Couture, President, Union of Agricultural Producers, Quebec: I think that Mr. Kirk has given a good answer to the question. However, producers have established marketing agencies. We must face a rather difficult challenge in the distribution of markets between provinces. I think that we must, at a certain stage, go through painful experiences if we want to learn to work together and respect agreements. I also think that this challenge is not an easy one. As far as the production issue is concerned, it is not easy either, in agriculture, to assess what will be the output, because it depends on a certain number of hazards, such as temperature and many other factors which can alter the production rate. It is, therefore, hard to control exactly the production output. We must consider all those factors. I think it will never be easy. It will never be so, because we will never control adequately and exactly the output of the crops. Who can say how much we will produce, how much a potato plant will pay and what will be the output of the crops. Therefore, overproduction is not that easy. We must take into consideration all those factors. I think that it is for that reason that we ask for a certain protection at the level of the stabilization of the earnings, which is tied to a new conception of agriculture.

[Text]

Mr. A. E. Hall, CFA Executive, Manitoba: Mr. Chairman, with respect to public relations, it is an unfortunate fact of life that criticisms are picked up more readily than statements about how good a job has been done or is being attempted.

Within the disciplines of production, we are criticized if we produce slightly more than the immediate needs of the market. In this respect the use of figures becomes somewhat distorted. To illustrate the point, we are sometimes criticized in the press because we are reported to have a certain volume as "storage." The word "storage" is a misuse of terminology. There has to be a working volume of production, and we certainly cannot supply a market if that working volume is not there, any more than a retail store could service a customer if the shelves of the store were empty. In other words, we have to have a level that is "the pipeline" to the consumer. Unfortunately, however, those who report statistics report that as storage.

Another problem is that, in trying to project the levels needed to supply a market, the consumer does not tell us

what that volume is going to be. Sometimes the consumer varies his requirements rather substantially within a particular period of time. That can certainly throw it out slightly until adjustments are made. Certainly, in some of our commodities, producers are willing to subject themselves to disciplines for that adjustment. On the other hand, I wonder just what criticisms would be made if we were to err on the short side. Perhaps the criticism would be somewhat more severe.

Mr. Chairman, there has been some comment about the use of western feed grains. Coming from western Canada, I use western feed grains. In the feeding of livestock and poultry, feed grains comprise only one part of the total ration. I have followed very carefully the comparative prices, as published by the Canadian Livestock Feed Board, because, as a user of western feed grains, I, too, am concerned about the high cost of feed which goes into my feeding program. However, I recognize that "that is the price of the feed," and when I look at the comparative prices across Canada I find that there are a number of feed ingredients which cause the cost to go up. There are times when I pay more per ton for the feed that goes into a feeding ration than those in central Canada pay for the equivalent ration. That certainly indicates that there are other ingredients which must be taken into account. Of course, all of us have concerns when we have difficulty in getting the final return we desire from the products we are producing.

Mr. H. Falkenberg, CFA Executive, Alberta: Mr. Chairman, a lady who habitually travelled by a train which passed a glue factory found that if she took a bottle of smelling salts with her it helped considerably. One day a stranger riding the train observed the lady with her bottle, but he was not aware of the glue factory. Eventually he said, "Lady, put the cork on that bottle. I can't stand it any longer." I think in some instances marketing boards are in a similar position; they are like the bottle of smelling salts, accused of things they are not guilty of. I agree that communication is a problem, but may I add that if it had not been for the existence of a marketing board for broiler chickens I would not be here today as an independent producer. I mean that sincerely.

If you were to analyse the situation of the poultry industry right across the country you would find that if marketing boards had not been in existence there would not have been any viable production. As difficult as it is to operate, and as poor a job as we have admittedly done, we are willing to learn and we are making efforts towards improving the situation. I would also suggest to you that there are problems in other commodities which are not associated with marketing boards. I should like to separate eggs from chickens and make the point that there is a distinct difference between them and that they should not be classified together, because they do operate differently and they have different problems. Eggs have a lot more difficulty in adjusting to demand and supply.

Another point that needs to be made is that the general consuming public demands a product in a marketplace when they want it, in the quantity they want and in the quality they want, and if they are determined not to buy it, then it is no concern of theirs and they do not feel that they have any responsibility to purchase that product continually. This makes the situation rather difficult. If you have a consumer change in demand, then the producer is supposed to respond immediately to that change in demand, and that makes the situation very difficult. I

know that efforts are being made, but let us give them a fair chance to operate and to learn.

The Chairman: I know that our guests do not wish to stay too much longer because they also wish to meet with the House of Commons agriculture committee, but in saying that I do not wish to close off the meeting. There is, however, one question which I should like to pose. It seems to me that it is very difficult for producers of various agricultural products who depend heavily on feed grains to know where they stand when the price of feed grains is going up and down so fast and so violently, as I see it happening at the present time. Here I am just giving you my own ideas. To my way of thinking the present feed grain system on the open market is of no service either to the producer of grain or to the feeder of grain. I think the prices are fluctuating much too violently, and it is my opinion that they fluctuate in Canada sometimes because of no Canadian reasons but simply because prices are fluctuating in the United States. This may be because there is a great deal of speculative money going into the commodity markets or because that money is coming out and, in consequence, the price of feed grains on our exchanges goes up and down. Has any thought been given to the idea of feed grain producers or to the Eastern Livestock Feed Board, or some agency on behalf of farmers who buy feed grain and feed it on their farms, setting themselves up as a purchasing board to purchase from the Wheat Board, and then letting the Wheat Board negotiate with those other Canadian boards in the livestock business?

As an agricultural grain producer—and here Senator McDonald can disagree with me if he wants to—

Senator McDonald: I do.

The Chairman: —I would say the majority of grain producers on the prairies are willing to go along with the orderly marketing system of grain through the Wheat Board, including feed grains, even if at some point there is a price cost to themselves, or what might appear to be a price cost. I feel they would go along with this if they had some stability or if they know what they were going to get for a one-year period. Anyway, I shall put my question in this way: Has any thought been given to this kind of negotiated price, or are the feeders satisfied? If they are, that is fine. But are they satisfied with the speculative market that goes up and down daily?

Mr. Munro: I am not sure, Mr. Chairman, who is going to rush in to answer that question. I see Mr. Pigeon sitting on the edge of his chair almost anticipating getting to the microphone. Then there is Mr. Dobson Lea, from Manitoba, and I am not sure where he stands on this issue either. Perhaps Mr. Falkenberg would like to speak to it.

Mr. Falkenberg: If I can buy on the fluctuating system at the low end to meet my requirements, then I am in favour of the fluctuating system. But if I get caught at the high point, then I want the contract.

The Chairman: It may be that there is no agreement at all on this point.

[Translation]

Mr. Pigeon: Mr. Chairman, I will try to answer your question, which is not easy.

You are right when you say that there is continuous fluctuation. You only have to look back to what happened last August when the Americans made a survey of the grain production they should have had last fall. Due to bad weather, there was a reduction of one billion bushels, approximately, when they revised their figures in August. Moreover, at the same time, there was a drop in the stock exchange. It is always the same thing.

The new grain policy, as you say, has often been confusing I think, especially when we said that people in the East wanted to buy cheap. This is not exactly true. We wanted as much as possible to pay the same price as others we were competing with for finished products. You know that we have often heard about this cheap grain policy. But this is not what we wanted. We wanted to pay the same price as the others but it has not been easy.

I agree with you when you say that we want a policy of orderly marketing. I think that, as far as we are concerned, we want to deal with the Saskatchewan Wheat Pool, with the United Grain Growers, the most important grain purchasers. When we talk about my organization in Quebec, we are the biggest grain buyers for eastern Canada. Why would it not be possible to deal with the Saskatchewan Wheat Pool or the United Grain Growers or the Alberta Wheat Pool, which are cooperatives similar to ours? Why do we have to go through a mediator who established the price maybe somewhat outside of the market, when it was the domestic price?

We had a bad experience in this area. I hope this will be a lesson, Mr. Chairman. You know that in the years '68, '69 and '70, when we exported barley at 74c. a bushel, that this went by our door on the St. Lawrence and that we had to pay \$1.37, at the head of the Great Lakes, to come and spend it in Quebec.

We lived with these policies. It was not easy. We did not live in a small closed world but at the international level. Often the international market establishes our prices and this also causes our markets to fluctuate. I think that we will have to get used to living with this problem and to take the greatest advantage of it.

While I am here, I would like to attempt giving an answer to Senator Lafond, who has asked a question on agriculture in general. We could tell the consumers, mostly those who live in urban areas that we are not able to control the weather. This is why we make a living out of agriculture and it is not easy.

You were talking about the problem of potatoes. Some people have sown approximately the same surface as last year and because of good weather, have had a crop that was 20% greater. This is what creates the whole problem.

The same thing happens with apples, for example, you never know from one year to another if the flowering will be good, if this will happen at the right time or if pollinization is very good. You will have a terrible crop and if the same thing happened in all parts of Canada, there would be too many. It is as simple as that. These are things that cannot be controlled. In agriculture, we depend on weather. You know what happened last year; the Americans seeded I think 20 million additional acres and because of bad weather, they had crops that were 16% lower.

The same thing happens in Western Canada with grains.

I would like to point this out to consumers. The majority of consumers must not forget that we work according to the weather and we cannot control this very well.

Senator Lafond: I would like you to say this more often yourself, Mr. Pigeon.

[Text]

The Chairman: Are there any other urgent questions?

Mr. Lea: Mr. Chairman, if I may speak to that point, it is quite evident that in western Canada the grain producers want orderly marketing. They have the Canadian Wheat Board Act as their agent for selling their grain, but within the matter of shift as between grain and livestock we found that the family farm that grows its own grain and feeds its own livestock has come through this past speculative price period much better than the others. The promoters of the new feed grain plan said that you could hedge your purchases and under a contract you could protect yourself, but they are not very happy with that either. So I would suggest that the family farm has come through best and if, on some basis such as Mr. Pigeon refers to, across Canada, we can come to some other arrangement between the larger groups or co-operatives, then perhaps that is the next best solution.

Senator Inman: Would it be possible for farmers in those provinces to grow sufficient grain for their own use?

Mr. H. Fuller, CFA Executive, Nova Scotia: Mr. Chairman, the records of production and also the history of our climatic conditions indicate that it would not be possible. Through further research into grain varieties and a little more co-operation on the part of the good Lord it would be possible that we could come nearer. However, we must be realistic. In the Maritime provinces there are those who say that we can raise our own grain, but until someone is smart enough to do so it is not possible under present conditions. I am chairman of the Crop Insurance Commission, so I am reasonably familiar with the actual yields and the history of grain production in Nova Scotia. Prince Edward Island certainly has more favourable grain production potential. However, as far as New Brunswick and Nova Scotia are concerned, it is certainly not in the foreseable future. That is just being realistic.

Mr. Hamming: Mr. Chairman, as far as Prince Edward Island grain production is concerned, we produce approximately 80 per cent of our requirements, which is only 20 per cent short. In my opinion, we could produce our own and we should gear our livestock production to our capacity of grain production. However, in the other provinces it is just the other way around. They produce approximately 20 per cent, and 500,000 tons of grain is imported into the Maritimes. When you consider the type of land in Nova Scotia, once acre at least is needed to produce one ton of grain. That means 500,000 extra acres of land under grain, which is completely impossible. We like to be self-sufficient in Prince Edward Island and wish that the wild oats would stay in the Prairies. We are badly affected already and it should be outlawed.

Senator McDonald: I wish to be clear with respect to one point made by Mr. Pigeon. If I understand his comments correctly, he referred to the possibility of purchasing feed grain. I understand he represents a producers, co-operative of some type in Quebec, purchasing feed grains through a farm organization in the West such as Saskpool, the United Grain Growers, or the Manitoba Grain Pool, whichever it may be, but not through the

Canadian Wheat Board. That is a new and interesting approach.

Mr. J. D. Deveson, Manitoba Pool Elevators: Mr. Chairman, I do not intend to enter the feed grain debate. I do not think there has been any other subject debated so much in the last few years as this. I would like to endorse what you have said. I am quite satisfied in my own mind that the great majority of the farmers in western Canada would sooner have the Canadian Wheat Board handle all their grain.

The point I wish to make is in answer to Senator McDonald, who said that he knew of no organization that had supported rail rationalization. The organization to which I belong has stated publicly and told its membership that we are not prepared to fight to keep all the rail lines we have in existence today. They were designed to accommodate an era during which grain was hauled by team and wagon, and that era has long gone. So there is no justification or necessity for maintaining all these rail lines. We cannot afford the luxury of keeping all the rail lines plus all the elevators. Therefore we are prepared to rationalize the system.

I believe it was probably you, Mr. Chairman, who made the statement that it is not going to happen very fast. We do not wish it to happen very fast, but we are prepared to move an awful lot faster than our government circles today. In order to rationalize the elevator system we must know what is going to happen to the rail system. We would like to get on with the job, because our elevators are becoming old. We must build new ones, and as soon as we know which lines will remain in existence for the next 25 years the sooner we will be able to get on with the job of rationalizing the elevators.

Senator McDonald: Mr. Chairman, I will not be misquoted. I never once said that the farm or other organizations had not supported rationalization of rail lines; they have. My complaint is that they have not told us or even told themselves what railways they wish to keep.

Mr. Deveson: I know it becomes difficult when you have to bell the cat, Mr. Chairman.

Senator McDonald: I hope we can bell the cat together.

The Chairman: We have had a good discussion and if there is no further comment I will thank Mr. Munro and the representatives of the Canadian Federation of Agriculture on your behalf for a wonderful brief. We hope we can be of constructive assistance to you in the years ahead.

Mr. Munro: Thank you, Mr. Chairman. In closing I would like to extend our appreciation to the Standing Senate Committee on Agriculture for allowing us this opportunity. I do hope that the brief which has been presented will be considered again and its contents assessed. It represents a compilation of the concerns of the farming community throughout Canada. There is no one else to produce food, except that hunted in the seas. If the nation wishes to be fed, I hope it will pay attention.

The committee adjourned.







(A) 40 25



FIRST SESSION—THIRTIETH PARLIAMENT 1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman



Issue No. 14

THURSDAY, APRIL 24, 1975

Complete Proceedings on Bill C-34, intituled:

"An Act to amend the Farm Credit Act"

REPORT OF THE COMMITTEE

(Witnesses and Appendix: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue, H. McElman, Charles Blois, F. M. McGrand, F. A. Côté, J. P. McNamara, W. C. *Flynn, Jacques Michaud, H. J. Molgat, G. Fournier, M. (Restigouche-Gloucester) Norrie, Margaret F. Haig, C. *Perrault, R. J. Hays, Harry Sparrow, H. O. Inman, F. E. Welch, F. C. Lafond, P. C. Williams, G. R. McDonald, A. H. Yuzyk P.—(21)

Ex officio members

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate.

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

That question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Thursday, April 24, 1975

Pursuant to adjournment and notice the Standing Senate Committee on Agriculture met this day at 10.00 a.m. to consider Bill C-34 intituled "An Act to amend the Farm Credit Act".

Present: The Honourable Senators Argue (Chairman), Haig, Hays, Lafond, McDonald, McElman, McGrand, Michaud and Norrie. (9)

In attendance: Mr. R. L. du Plessis, Legal Adviser, Department of Justice and Mr. Albert Chambers, Research Assistant to the Committee.

Witnesses:

Farm Credit Corporation:

Dr. B. H. Kristjanson, Chairman;

Mr. P. Lanoix, Vice-Chairman; Mr. A. Holmes, Director General;

Mr. J. M. Day, Director, Lending Operations;

Mr. H. Carr, Policy Adviser;

Mr. J. Burns, Director of Administration;

Mr. B. Strom. Executive Assistant.

The Committee proceeded to the examination of the witnesses with respect to the above Bill.

It was Agreed that a written statement from the Canadian Federation of Agriculture be printed as Appendix "A" to these Proceedings.

The Honourable Senator Hays moved that the Bill be amended to raise the age limit from 35 to 40.

The question being put on the Motion, the Committee divided as follows:

Yeas-3

Navs-2

The Motion was declared Carried.

The Honourable Senator Hays moved that the Committee recommend to the Senate in its Report that the ceiling on loans be increased from one hundred and fifty thousand to two hundred thousand dollars.

The question being put on the Motion, the Committee divided as follows:

Yeas-3

Nays-2

The Motion was declared Carried.

Upon Motion of the Honourable Senator Hays, it was Agreed that the Committee recommend to the Senate in its

Report that the capital of the Farm Credit Corporation be increased from one hundred million to one hundred and twenty-five million dollars.

Upon Motion of the Honourable Senator McElman, it was Resolved to report the said Bill, as amended.

At 12.05 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Aline Pritchard Clerk of the Committee

Report of the Committee

Thursday, April 24, 1975

The Standing Senate Committee on Agriculture to which was referred Bill C-34, intituled: "An Act to amend the Farm Credit Act" has, in obedience to the order of reference of Tuesday, April 22, 1975 examined the said bill and now reports the same with the following amendment:

Strike out the word "thirty-five" and substitute the word "forty" in lines 43 and 49 on page 2, in lines 7 and 16 on page 3, and in lines 7 and 34 on page 8.

In addition your committee desires to make two recommendations arising out of its discussions.

First, your committee would like to see the Farm Credit Corporation take on an expanded and more vigorous role in the provision of credit to farmers for the development of agricultural production in Canada.

Your committee therefore recommends that the Government consider the advisability of increasing the capital of the Farm Credit Corporation from one hundred million to one hundred and twenty-five million dollars.

Second, your committee is concerned that the current upward trend in the price of land and other farm capital will continue and that the loan ceilings under the Act may soon become inadequate for the needs of both new and established farmers.

Your committee therefore recommends that the Government consider the advisability of increasing the ceilings on loans made under Parts III and IV to new and young farmers from one hundred and fifty thousand to two hundred thousand dollars and of increasing the ceiling on loans made under Part II to older and established farmers from one hundred thousand to one hundred and fifty thousand dollars.

Your committee believes that the changes to the Farm Credit Act embodied in this bill are important and necessary. However, it believes that perhaps a little more flexibility in corporation capital and loan ceilings would be most helpful in increasing Canada's agricultural production and bettering the conditions under which farmers operate.

Respectfully submitted.

Hazen Argue Chairman

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, April 24, 1975.

The Standing Senate Committee on Agriculture, to which was referred Bill C-34, to amend the Farm Credit Act, met this day at 10 a.m. to give consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we are meeting this morning to consider Bill C-34, to amend the Farm Credit Act. With us is Dr. B. H. Kristjanson, Chairman, Farm Credit Corporation, and accompanying him are senior officials of the corporation. Dr. Kristjanson is an old friend of mine who has just recently assumed the position of Chairman of the Farm Credit Corporation, and based on his past record I am sure there will be changes made. It will be agressive, expanding, and goodness only knows what will follow after that.

Perhaps you could introduce your officials, Dr. Kristjanson.

Dr. B. H. Kristjanson, Chairman, Farm Credit Corporation: Thank you, Mr. Chairman.

Accompanying me this morning are: Mr. P. Lanoix, Vice-Chairman; Mr. A. Holmes, Director General; Mr. J. M. Day, Director, Lending Operations; Mr. H. Carr, Policy Adviser; Mr. J. Burns, Director of Administration; and Mr. B. Strom, Executive Assistant. Perhaps Mr. Lanoix and Mr. Holmes can join me on the dais, as they will be answering questions.

The Chairman: Do you have an opening statement you wish to make? Perhaps you can tell us a little about the present situation in the Farm Credit Corporation and a little about where you hope to be going.

Dr. Kristjanson: Mr. Chairman, I read with interest the discussions which took place on this bill in the Senate. It is my impression that honourable senators are extremely knowledgeable about what is being attempted through these amendments.

As a last-minute decision, we put together a short statement which I should like to read. We do have some copies for distribution. We did not have an opportunity to get this statement translated this morning, so it is in English only, for which I apologize. Perhaps I might just read this statement in order to set the background for my appearance.

The Chairman: Very well.

Dr. Kristjanson: Mr. Chairman, as members of the committee may be aware, I have only recently taken responsibility as Chairman of the Farm Credit Corporation. Needless to say, there have been a great number of things with which I have tried to become familiar in the month I have been in this office. With that in mind, and with your permission, I may refer several of your questions to offi-

cials of the corporation who have accompanied me and who have been with the corporation for some time and who are thoroughly familiar with its operations.

However, there are a few comments about the intent of Bill C-34 which I might make. This bill provides some changes which, I believe, will be significant in the future development of agriculture in Canada.

Several of these changes apply only where persons under 35 years of age are being assisted by the loan. This may seem puzzling as well as unnecessarily arbitrary. However, I think you will appreciate from your study of the bill to this point, that it is the intent of the minister to give particular encouragement to younger men and women who can qualify as reasonably competent farm operators, provided necessary and sensible financing is available. Furthermore, it is expected that many of the larger loans that this bill makes possible will be to family farms where a person or persons under 35 years of age will be working with orther members of the family, such as a father, father-in-law or older brother, who may be over 35 years of age. I mention that in passing because this is becoming a much more common way to farm. Of course, may of the loans will also be made to individuals who are establishing a new and separate farm business.

As I have intimated, there has been some concern that the age limit for these special benefits has been fixed at 35. In studying the problems of young farmers it was found that, as a proportion of all farmers, those under the age of 35 appeared to be decreasing. Such a trend could have serious long-run consequences for the industry. Part of the reason for this trend has been the very high investments needed to get started in farming on a basis that would provide an income comparable with those in other occupations. Another reason has been the difficulty encountered by young persons with few assets in competing with older, established farmers and with more affluent non-farmers, for any good farm land that becomes available. For these reasons, Bill C-34 was drafted to give special advantage to those who are under 35 years of age.

Part IV, which is being added by these amendments, will allow persons who are under 35 years of age, who have the ability to organize and operate a viable farm business, and who intend to make farming their principal occupation, to phase into farming over a period of up to five years. It will allow the corporation to make loans to assist such persons even before the farm on which the loan is made is organized into an economic farm unit. However, each application for such a loan—that is where the young person will not be principally occupied in farming, or the farm will not be an economic unit for some time after the loan is made—must be accompanied by a plan that shows clearly that the young person being assisted by a loan will be able to develop a viable farm business, and that he or she will become principally occupied in farming within five years.

In addition, the young person being assisted will covenant in the mortgage that he will do these things.

The amendments in Bill C-34 will allow the corporation to make loans under either Part III or Part IV of up to \$150,000 to assist persons under 35 years of age. Loans under Part II and under Part III to farmers between the ages of 35 and 45 will continue to be limited to \$100,000.

Equity requirements have been relaxed. Very low-equity loans are made possible under Part III and Part IV to assist competent persons who are under 35 years of age to become established in farming or to develop their farming operations into viable farm businesses. Loans could be for amounts in excess of 90 per cent of the appraised valuewhat the corporation refers to as "Productive Value"-of the land, buildings and farm chattels. Ninety per cent of productive value is the present limit. Of course, in every case such borrowers will have to supply a plan which will show that they can develop the farm, can make farming their principal occupation and have the means to carry the loan made to them, as well as any other debts they may have. Unless we are sure that they have such ability, we might do a young family a grave disservice if we encourage them into taking on much more debt than they can repay.

We hope that in addition to helping competent young people who are now on farms and who, without this kind of help, would have to seek their livelihood elsewhere, it will be possible to assist young people who have been very recently associated with farms, have a good knowledge of present day farming methods, and are capable of organizing and successfully operating a viable farm business.

The amendment which will allow the corporation to secure loans by second or subsequent mortgages will be of great advantage to those who may be borrowing under any Part of the Act, regardless of their age, if they have a first mortgage on their farms on favourable terms, but need additional long-term financing through the corporation. Prior to this amendment it has been necessary for the borrower to pay off any first mortgage on land that was to be taken as security. This not only has been a serious disadvantage to the farmer, but used up the corporation's funds unnecessarily. With this amendment, a favourable first mortgage, either from the corporation or other lender, can be left undisturbed, and the borrower can obtain additional financing from the corporation up to the limits of the Part under which he qualifies.

You will appreciate that these amendments open up a new field of lending for the corporation. We hope we will be able to approach this new lending in an adaptive way, always keeping in mind that the intent of the legislation and these amendments is to assist those who are, or intend to become, principally occupied in farming. We do not wish to start with a lot of arbitrary rules. Rather, we intend to deal with each application on its merits and on the basis of how it fits the intent of the legislation.

It is also intended that in addition to giving more assistance to young beginning farmers, we will be able to give more emphasis to helping those on relatively small farms who have the potential to successfully operate a farm that will yield them an income more in line with that which they might expect in other occupations. We believe in these ways that the funds that are available to the corporation can be used to the best advantage in assisting in the development of Canadian agriculture.

Following on from that last point, Mr. Chairman, what is of concern to me as a newcomer is the possibility that the

public may place undue emphasis on retrieving lost souls, in effect; that is, an undue emphasis on bringing people who have left farming back to it. By "undue emphasis" I mean that this ought to be a program that assesses each application strictly on its merits without any preconceived notions as to whether it is superior to have left the farm to go to the city and then return to farming. In actual fact I would believe, from reading the statements made in the Senate, that there is a concern, particularly in Eastern Canada, that the corporation be, if possible, more aggressive or helpful to those on small farms. It is my personal belief that a substantial segment of the farming population is literally stranded in agriculture. In other words, under existing rules, prior to these amendments, it is my observation that there are many qualified people on units that are too small to afford a decent living, who, if we made sensible adjustable loans to them, could be brought into the twentieth century. As a simply personal observation, I think we might have some priority towards those people, and that some special emphasis be given to them.

Senator Hays: Dr. Kristjanson, I would first like to congratulate you on your position. It has been some time since I met you. We have both lost some hair since then! I am sure you will do a great job. I am concerned about the discriminatory aspect of the bill so far as age is concerned. I know that you did not have too much to do with that input, because you were not there. This may be a question you will not want to answer, but is your personal opinion about the age, limiting it to under 35 years?

Dr. Kristjanson: In the Commons committee I think I was asked the same question and I said that on actuarial grounds it makes no sense. In other words, it seems to me, on strictly actuarial or lending principle grounds, you may have a better security in a person who is 50, or even 55. With regard to my personal view about whether this should be included in the bill at the present time, I am quite prepared to say that I think it should. I would hope that we could review this a year from now, after we have had some experience with it, and then perhaps an amendment would seem in order.

Senator Hays: I look around at your officials, and it has been a long time since any of us in the room was 35. On that sort of foundation, none of us should be here, or capable of administering money, after we are over the age of 35. Farming is a pretty tough, rough business. I have a little experience. I farm 5,000 acres in one block and I have about six farms. On the 5,000-acre farm my manager started out when he was 18; he was a Dutch lad. He is now 38. My original instructions to him when he was 20 were, "You are going to make lots of mistakes, but never make the same mistake twice and we will never have any problems." We have made them all over the years, and some of them twice.

It seems to me that we do not lend a person government support to buy a house until he has two and a half times earnings, and he generally does not reach that until he is 35 or 40. Today, a young lawyer by the time he is 32 and educated is probably earning, if he is articling, \$3,000; by the time he is 35 he is probably earning \$15,000; and by the time he is 40 he may be earning \$50,000. That is the first time he can afford to buy a house that is guaranteed by national housing, or wherever he might get the money. This all comes out of the same pot. It just does not seem to me that it is good for the government or for the person who is being lent money. There may be some boys of 18 to

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whom you can lend \$200,000. I just doubt whether you can judge them that well, and I think that, if we do not change this legislation, down the road we will find it will be an error. It is discriminatory, and it seems to me that it should be done on merit, as you suggested. There are some people in some areas who need more land than others. I am sorry to see this in the bill.

Dr. Kristjanson: What the chairman said yesterday I believe covers the point for the time being, that with a limited amount of funds available to the corporation the judgment is that by the time a person reaches the age of 35 he generally has acquired some assets, and taken in conjunction with the \$100,000 limit it may not be so far out of line. I am not arguing with you, but it is just that I believe this was the thinking behind the bill.

The Chairman: It would seem to me there is a feeling in the country that young people should be given a much greater chance to obtain loans than they have had before. We have found this all over; we found it down in Moncton. While from an actuarial basis and from other bases it may be great to help somebody who is a bit older, I am not unhappy to see things loaded a little the other way and be considering giving the young people who are coming to farming a chance. I do not think it takes a young farmer very long to get assets of \$50,000 if he is really going these days.

Senator Hays: I am not talking about the young fellow.

The Chairman: When he gets to 35 and can get only \$100,000, I would think most of them would have the \$50,000 already, so the total then would be \$150,000. I cannot conceive of anybody farming for very many years who has not got \$50,000, or he is somebody who really needs help.

Senator Norrie: You mean \$50,000 in cold cash?

The Chairman: No, in assets. I was under the impression that the Farm Credit Corporation would quickly say no, and has been saying no quickly, to farmers who are already established and have access to other credit. They are farmers who automatically cut themselves off. I am asking a question now. They cut themselves off because they do not require it. They have access to credit from banks or credit unions, or some other institution.

Dr. Kristjanson: If that is a question, the answer is not easy to give. When we say that a person who reaches a certain level of assets therefore has access to other lines of credit, I think people are generally comparing the situation with, say, manufacturing or some other occupation. It seems to me that the access to credit, no matter how large you are in farming, is much more limited if you think in terms that it ought to be loaned. Sure, you can go out and get a five-year loan perhaps with very difficult repayment conditions based on your equity. I am not arguing that we should be making loans to very large farmers. I have some problem, however, with this observation that once you get to a certain size the market is there. Well, who is in the long range market? I don't know. Trust companies make some loans, banks make some loans, but generally speaking they are not 30-year or 40-year loans.

The Chairman: Credit union loans are pretty long, not 30 or 40, although you could get up to 20 years.

Dr. Kristjanson: In British Columbia, for example, this is true. They made a special effort. I do not know what it is

like in other provinces. My only point is that it is not all that simple to make the judgment whether you cut a man off or not.

Senator Norrie: Mr. Chairman, I was very pleased with the excellent points made by Dr. Kristjanson this morning. My one reservation is with respect to the cutoff at age 35. I would prefer to see this changed so that at least people who are 35, or over, could be consulted or interviewed and not just be cut off completely at age 35. Farming is in a state of emergency in the Maritimes. If assistance is not given to these people who are 35 and older, we are going to lose them. We are losing them every day. You mentioned sons and fathers. The fact is that many of these 35-year-olds do not have fathers to go to for assistance. Their line may carry on down, but not up.

Dr. Kristjanson: Senator Norrie, we are not cutting the people off at age 35. They still qualify for a loan of \$100,000.

Senator Norrie: I still think they should be considered the same as a younger person.

Dr. Kristjanson: Incidentally, I had nothing to do with the cutoff at age 35, but, in any event, \$100,000 is not a small loan to those who are over 35, particularly in eastern Canada. Even in Manitoba, with which I am more familiar, \$100,000 would help most of those in need.

Senator Norrie: It may sound pretty good to the public, but I think it sounds more helpful than it is, but, certainly, in the Maritimes we have many more hurdles to cross than is true in the West, and this legislation will be quite a boost.

Senator Michaud: Mr. Chairman, I just wanted to refer to some remarks made by Senator McDonald in the debate on this particular measure Tuesday night. He said:

It must be remembered that when land becomes available the young person is less able to compete for it than the older man. For that reason I am in favour of seeing some advantage given to the younger person.

I think there is merit in that statement especially when you bear in mind the other point Senator McDonald made that the aggregate amount of funds available to the Corporation are also limited.

Senator Hays: I am a little familiar with the Farm Credit Corporation. When I was somewhat responsible for it, the loan at that time was \$20,000. Everyone said it was too much. It was subsequently increased to \$60,000. But \$60,000 will not even buy a house today. If a farmer buys a section of land you can hardly expect him to live in a tent. How far will the money go if he has to put up buildings? In my opinion, whether the money is available or not, the government has the power to increase the loans. I was in Holland at the time our government increased the Farm Credit Corporation's limit from \$20,000 to \$60,000. At that time I thought it should be \$100,000 and that was ten years ago. In Holland they were reclaiming the sea at a cost of \$6,000 per acre and reselling that back to the farmers for \$2,000 per acre with 60 years to pay. I think we should be able to do something as good here. What are a few billion dollars? And I am not trying to be like C. D. Howe. But one trust company I am familiar with took from Confederation to about five years ago to put out \$1 billion in mortgages. In the last five years we put out the second billion dollars.

The Chairman: Inflation!

Senator Hays: Our losses are less than just a fraction of 1 per cent. If you look at the losses in the Farm Credit Corporation, they are negligible. Nobody is going to run away with this land. We are going to have inflation in perpetuity. \$150,000 is not too much today to loan a farmer A quarter of a million dollars is not too much. It is the ability of the farmer to pay the interest and to have the amortization over a long period of time that must be considered.

Another aspect of the problem is that in certain provinces, for example Alberta, loaning agencies cannot lend money because of the law, which says that the farmer does not have to pay it back. He has no legal responsibility to pay it back because the jurisdiction belongs to the province. The Farm Credit Corporation is in a different position because it can lend this money. For that reason we should have more money in the Farm Credit Corporation.

Moreover, to say to one person that because he is 36, he is not going to get any money, but the fellow who is 35 is, seems to be quite unfair.

Senator McDonald: We are not saying that in this legislation.

Senator Hays: It is implied, nevertheless. You are giving one person a preference over the other. Certainly, that is the way I interpret what Senator Michaud was saying.

Senator McDonald: Well, I did not interpret it that way.

Mr. Chairman, I would like to ask Dr. Kristjanson if there is any maximum limit to the assets a farmer can own before he is disqualified from getting a loan from the Farm Credit Corporation.

Dr. Kristjanson: Mr. Chairman, I would ask Mr. Holmes to answer that question.

Mr. A. Holmes, Director General, Farm Credit Corporation: Mr. Chairman, regulation 12(2) in effect says that where, in the opinion of the Corporation, the farmer has sufficient assets, or his unit is a good sound economic unit at the present time, we may refuse to make the loan or can limit the loan. Actually, we cannot say it is a limit, but we do say that any time a man's total assets after the loan are in excess of \$350,000 we wish to see the loan at head office. In other words, that is a trigger point for us to look at it, because it depends on total assets, the area involved, the type of enterprise and the net worth. These are all criteria we look at. We also look at the income which the particular assets are generating. Where a man has a good average unit for his area, or a little above and our assessment is that he is making a reasonable livelihood, or has the assets to do so, we will not lend him money to expand.

Occasionally, you run into the situation where someone will say, "but we know he has assets of more than \$350,-000." In such cases the farmer was probably doing something within his line fences or was building a home or doing something on the farm.

Under regulation 12(2) we try not to make loans in order that someone can get well above his neighbours, if you wish, or to get well above the size where he is making an adequate livelihood. Those individuals, in our opinion, are in a position to get financing elsewhere. Certainly, someone who has reached that level can obtain bank or trust company financing much easier.

On the other hand, we do not always go up. We turn people down under regulation 12(2) who have assets well below \$350,000. We have had people come in with \$250,000 in assets, owing about \$15,000, or something in that area. There is no single criterion we use. We try to use our best judgment to conserve the capital, if you wish, by refusing to lend to those who, in our opinion, were not intended to benefit by the supply of capital available under this legislation.

Senator McDonald: Mr. Chairman, I certainly agree that this legislation was never intended to help people who can help themselves. Certainly, there is a need for long-term credit at low interest rates for many farmers in this nation, but I do not think for one moment that this legislation was meant for farmers such as Senator Hays to allow them to accumulate 5,000 acres. Senator Hays, and others like him, are in a position to arrange financing outside of government subsidized lending institutions.

Perhaps I am wrong in my interpretation of what you said earlier, Dr. Kristjanson, but I understood you to say that there was a trend for people who had left farming for other occupations to return to farming. Is that correct?

Dr. Kristjanson: Yes, there is that feeling abroad. That, of course, was part of the rationale for the conditions set out under the Amendments to Part IV. People now have a better appreciation of what farm life is all about.

The Chairman: I wonder if I might ask a question at this point. What percentage of the loans made are under \$50,000? Is everyone going for \$100,000, or is the average loan around \$50,000 or under? I am not looking for precise figures, but just a general picture of what the situation is.

Mr. H. Carr, Policy Adviser, Farm Credit Corporation: The average loan is around \$45,000.

The Chairman: So, the vast majority would be under \$50,000?

Dr. Kristjanson: The average loan is well under \$100,000.

The Chairman: The limit under the act as it now stands is \$100,000, and the vast majority of the loans made have been less than \$50,000?

Dr. Kristjanson: Yes.

The Chairman: So that even a loan of \$50,000, rightly or wrongly, has, to date, accommodated the majority of applications under the act as it now stands. That is not an argument against the increase in the loan limit, but simply an indication of the importance of smaller loans.

What percentage of the applications for loans under \$50,000, or for loans generally, are turned down?

Mr. Holmes: Approximately 10 per cent, Mr. Chairman.

The Chairman: So, the majority of the loans are under \$50,000 and 90 per cent of those applying are successful in obtaining loans?

Mr. Holmes: Yes.

Senator Hays: Apropos of that, Mr. Chairman, in relation to the 10 per cent who are turned down, is that a matter of judgment on that part of officials as to the ability of the applicants to repay?

Mr. Holmes: Generally, yes.

Senator Hays: Senator McDonald made the statement that this act was never designed to help those who could

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help themselves. That was never my interpretation of the act. It was never a relief sort of thing, as far as I am concerned. I have always thought, and still do, that it should be expanded. I think the Government of Canada, as is the case in many other countries, could own 60 per cent equity of all farms in Canada. It must own that much equity in all the homes in Canada. If it is good for homes, why is it not good for land?

You make loans on ability to pay, but if you do not lend enough, the farmer is more apt to get into trouble. If the farm asset is not a viable one, he is going to get into trouble. Certainly, a \$100,000 farm in Alberta will be in lots of trouble. If that is the value of the asset in Alberta, the farmer is going to be poor for a long time. No one else will lend him any money. It seems to me that if he has the proper setup and the farm is large enough to be viable, he can be successful.

Senator Norrie: That applies to Eastern Canada, too.

The Chairman: We have a lot of viable farms in this country worth less than \$100,000.

Senator Hays: Not in Alberta.

The Chairman: In Saskatchewan.

Senator Hays: I do not think so. The average farm in Saskatchewan is about 713 acres. What is the present price of land in Saskatchewan?

Senator McDonald: What area are you talking about?

Senator Hays: I am talking about land generally. It probably has a value of \$400 an acre.

Senator McDonald: Nonsense.

Senator Hays: Good land is now selling between \$300 and \$400 an acre.

The Chairman: I would say you could buy every acre in Saskatchewan for \$300. You could probably buy half of the city of Regina for that.

Mr. Holmes: Land prices have increased sharply in the past year. The better land is selling for \$200 to \$300 an acre.

Senator Hays: So, 600 acres would be worth \$180,000.

The Chairman: Well, you are talking about the best land.

Senator Hays: You are not going to make money if you do not have the best land.

The Chairman: I do not agree with that philosophy.

Senator McDonald: Senator Hays has indicated that this is not a relieving sort of operation. Nothing could be further from the truth. The whole purpose of this act in the first place—and it remains so today—was to make long-term credit available to farmers in order to buy assets, namely, land, to establish themselves on farms. If there was \$100 billion available in government money, I would be quite agreeable, but that kind of money is not available. The government is prepared to put \$100 million behind the Farm Credit Corporation and, in my opinion, it is doing a good job in sharing that money amongst many farmers, especially in the Prairie region. I will deal with the Atlantic region in a few moments.

I believe that the emphasis placed on young farmers is a correct one. The average age of the farming population

across Canada today is getting much too high and, unless we are able to attract more young people into farming, we are going to be in more difficulty in this nation than we are at present.

We are not saying to people over the age of 35 that they cannot get loans from the Farm Credit Corporation. Under the act they will be able to obtain loans up to \$100,000 at any age. However, if they are under 35 years of age, they will be able to obtain an additional \$50,000. Surely the emphasis, in making subsidized loans, ought to be on young people with few or no assets. People who are over 35 years of age and who have no assets, in my experience, will never have any. It is my experience in life that if you have not made something of yourself by the time you reach 35 years of age, you can forget it.

As to people returning to farming, I can quite understand that. It is not very long ago—and everyone in this room will remember—that farmers in this country were looked upon as peasants. They were looked upon as the lower segment of our society. In the last few years, however, as a result of better prices being obtained for agricultural products, this has changed. I can quite understand farmers who threw in the sponge a few years ago returning to farming, because even well established farmers who had made a success of their lives were finding it difficult to cope with the prices for agricultural products on the farm market a few years ago. Those prices are a little better now.

Sure costs have gone up, but I, for one, do not feel that prices for agricultural products are too high. I do not think they are high enough. The average Canadian today is spending less per week, per month, per year, out of his pay cheque on food than ever before. I am one of those people who believe, as the minister does, that Canadians will have to pay more for food. If they do not, they are not going to get it.

I believe it was Senator Norrie who referred to farmers finding themselves stranded in agriculture. That is true. There are a good many farmers in Western Canada who find themselves stranded in agriculture, but I think there is a much larger percentage in this area of Canada who find themselves stranded in agriculture. They simply cannot get out ot it. They are browbeaten and do not know where to turn. That is particularly true, I think, in the Maritime provinces. For that reason, I am left wondering as to why there were only 167 farmers in the four Maritime provinces who took advantage of this act. If the amount of money available had been \$250,000 rather than \$100,000, would there have been more applications? I do not think so.

I am not as familiar with agriculture in the Maritime provinces as I should be, but I have learned some things from my colleagues and others from the Maritimes. I think the reason the number of loans made in the Maritime provinces is so low is that many of the farmers in that area are stranded in agriculture. Perhaps they need help and assistance under some other legislation. They seem to have the basis of a farm unit in terms of acreage, but, for some reason, they are not able to utilize it so as to obtain the maximum return. If that is the case, this is not the proper legislation to look to in order to solve their problems. This legislation will only allow you to buy a farm unit, or add to a farm unit, one or the other. It will not solve an income problem, other than to provide you with more acreage in order to produce more crops.

The bill is discrimatory, but I believe that the discrimination, if that is the way you want to term it, is justified. I can only repeat what I said a few moments ago, and that is that unless we get more young people into agriculture, agriculture will be in even worse straits in the future than it is now.

Someone has said that if we do not assist those over 35 years of age, we will lose them. This legislation provides for assistance up to \$100,000 for farmers of all ages, and the average loan, as the chairman has pointed out, is around \$50,000. I do not believe that this particular piece of legislation is going to solve all of these problems. We are not going to solve the problems of the people over 35 years of age by giving them \$150,000 instead of \$100,000. Other legislation is necessary to assist in that category.

Loans are made on ability to pay, and the proposed amendments to the act recognize this fact. I support legislation that takes into consideration one's ability to pay rather than the assets one has, or the assets his father has, or his uncle has. I think this is a move in the right direction.

If you lend a man who is 35 years of age \$150,000 and give him 25 years to repay that loan, he will be 60 years old by the time it is paid out, if he takes the maximum 25 year term. If you make a loan to a man who is 56, which is my age, again giving him 25 years to repay it, it is quite likely that he will not be around to pay it off.

Some honourable senators seem to be of the opinion that the land in this country should belong to the state and that the state should enter into a lease arrangement with the farmers. As a matter of fact, one or two of the provinces are implementing a policy of that type. I do not agree with that. People came to this country from all over the world because they could own land—a right that does not exist in many parts of the world today. God forbid the day ever comes in this country when the state will own the land and lease it to farmers. I believe we should lend money at favourable terms and in amounts that people can repay so that they can accumulate assets and have those assets when it comes time for them to retire, and I believe we should adjust our taxation laws in order to continue this process.

Senator Hays mentioned that it costs \$60,000 to build a house. How many farms in Canada have a \$60,000 house on them? Not very many, I suggest. I suggest to you that the average farm home is worth around \$6,000, not \$60,000.

Senator Norrie: Come, come!

Senator McDonald: Let me finish.

Senator Hays: On a point of order, Mr. Chairman, I think while we have the officials of the Farm Credit Corporation before us, we should be asking questions of them. We can listen to speeches in the Senate chamber. With the greatest respect to Senator McDonald, I think there are other things we should be attending to while we have the officials of the Farm Credit Corporation before us.

The Chairman: I think in this committee we can do a little more than just ask questions. For the record, I think it is quite in order for members of the committee to put forth their views on these things, but I do not think it lends itself to the expeditious work of the committee if this is to be a debating forum. I do not think it is. I think perhaps Senator McDonald may be ready to pose a ques-

tion or two. As chairman, I do not want to restrict any senator, but I understand the point Senator Hays has raised.

Senator McDonald: Thank you, Mr. Chairman. Can you tell me why the number of loans in the four Maritime provinces is as low as it is? Is there some reason for that, that they are so much lower than they are in the Prairie provinces, for instance, or Ontario or Quebec?

Dr. Kristjanson: I really doubt whether anyone can answer that question definitively, partly because attitudes towards borrowing are different from one part of the country to another. I know many people in the area in which I grew up should have borrowed, but because they were afraid of borrowing they would not. When we were framing the ARDA legislation we made many trips to the Atlantic Region and were wondering what would be the best program for that region. It struck me that there was not a view of agriculture in that region that was, I would say, hopeful, that this stranding philosophy was there. It seems to me that what the provinces in that region have done is attempt to frame legislation that is more adaptive to that local situation, and that progress is being made. I would suspect that in the next two or three years that situation will improve with respect to the number of loans. Whether a maritimer is justified in being more cautious or not, I do not know. I think only a maritimer can say.

You asked whether the farm credit legislation is appropriate. It is not appropriate to a lot of farms in Canada, if by appropriate you mean a method by which they are going to become viable economic units within the shortrun. That is why we have the Small Farm Development Program at the moment; this is why provinces like Nova Scotia, Manitoba and so on have entered into various programs. However, I readily grant the point that this is an area to which we must pay special attention.

Senator McDonald: The FCC have those exact same facilities in the Maritime provinces that they have in other provinces. For instance, to a farmer beginning, as I understand it, you now give some guidance, advice and assistance on the farm program that they have outlined to you. The same program is available right across Canada.

Dr. Kristjanson: I would say that as a general rule, if you are dealing with a higher proportion of farms that are at the lower end of the income scale you will require more counselling, more in the way of grants, more attention to the individual in order for a loan to succeed. This really has not been pushed to any great extent by the Farm Credit Corporation over time.

Senator McDonald: It has not been?

Dr. Kristjanson: No. It has been available, it has been possible to pay more attention to counselling and to supervision, but, for whatever reason—and I do not know what the reason is in the Atlantic region—this has not been emphasized, and I certainly intend to make a drive in that direction.

Senator Michaud: Senator Norrie mentioned, quite rightly, that in our part of the country, in the Maritimes, we have quite a number of hurdles to overcome as it now stands. That is certainly true. I do not know if the size of loans available is really a matter of concern in this respect. What would be the average loan in the Maritimes? Do I understand that \$50,000 is for the whole of Canada?

Dr. Kristjanson: The figures put before me now are \$43,074 for the Maritimes, and for Canada \$49,286.

Senator Michaud: Our main problem in the Maritimes is to hold down what we have. The report presented to the Senate by our chairman, Senator Argue, in December, 1973, said at one point that in the County of Kent, particularly, between 1966 and 1971 35 per cent of the farmland went out of farming, and that another 35 per cent would go out of farming, if the present trend was maintained, by 1977. You can understand that that is my concern, not whether a loan of \$100,000 or \$150,000 is required to do the job.

As Senator McDonald so rightly said, perhaps this is not the place to raise this matter. We are dealing with an administrative matter at this time, while perhaps the other problem, of retrieving this land as it is going out of production, will be one for the special policy-making level, which may not be of direct concern to the Farm Credit Corporation, which is mainly something of an administrative body. Nevertheless, I am concerned with the situation as it exists.

When the small farm legislation was introduced in 1971 we had a ray of hope. I think Senator Norrie shared that optimism with me at the time. Great stress was put upon that legislation, starting with the Prime Minister, who, on February 2, 1972, at a convention of the co-opérative fédérée du Québec, held in Montreal, said:

I would even say the Small Farms Assistance Program we are now preparing is our last chance. It must succeed, otherwise everything in our rural society will crumble. We put all our hopes in this program, the importance of which cannot be estimated.

At a later date, before our own committee here, the present Minister of Agriculture, Mr. Whelan, had this to say:

I still believe that the Small Farms Development Program has everything to offer, especially in areas such as Kent County and other similar areas in Canada.

Senator McGrand: How many loans have been granted down there since that?

Senator Michaud: I am coming to that. The report presented by Senator Argue in the Senate in December, 1973, two years after the small farms legislation had come into force, said that the report from the Small Farm Division of the Corporation stated that in the County of Kent, where we spent three days studying the situation there two years ago next June, there had been one transfer of land made, in that part of the country where, as I said a little while ago, 35 per cent of our land went out of production within the last four years, and another 35 per cent is expected to go out of production by 1977. That is nothing short of a tragedy. We must find some device or formula that will stop that trend, or, as the Prime Minister said on February 2, 1972, our rural society will crumble. As it applies to our part of the country it will, unless some drastic measures are taken to reverse the trend that is presently in force. It is not only a matter of coming to the assistance of the individual farmer. The whole structure has what you might say in French-I do not know the exact English translation for it-

[Translation]

—the structures, agriculture must be entirely restructured in the Maritimes.

[English]

The structure is not only applied to one farmer or another, but is applied to the whole industry. We have to start from that point.

[Translation]

We must reorganize the structure of the agricultural framework in the Maritimes if we do not want to see this industry disappear completely.

[English]

The Chairman: Would you care to comment on that, Dr. Kristjanson?

Dr. Kristjanson: Mr. Chairman, the senator has stated the problem exactly as it is. We talk about infrastructure for agriculture and so on, but the reason I hesitated in some of my comments was precisely that so much of the problem relates to factors other than the amount of money available. Most of those factors are within the provincial jurisdiction: land use; land ownership; development of cooperatives; marketing structure, and so on. It will take a co-operative effort between the federal government and the provinces on a rather broad scale to reverse the trends that you have outlined, senator.

Senator McElman: Mr. Chairman, I should like to refer back to what Senator Michaud said about one application under the Small Farm Transfer Program.

Senator Michaud: I was going to ask Mr. Day if the picture had changed since 1973.

Senator McElman: Is the problem not due largely to the fact that this legislation was structured to handle situations in western Canada and central Canada but had little or no application to the problems in Kent County or other parts of the Maritimes? In so many cases in the Maritimes, when a good farmer is in the position to expand and needs more ground to increase his production and reduce his production costs thereby, the only land available to him is land that is not being farmed; it has gone out of production. But the legislation does not provide for that farmer to buy that land, even if it is an empty farm sitting right beside him. He cannot use the existing legislation because it was designed for central Canada and the Prairies and has no application to the Maritimes. Our big beef in the Atlantic region is that the leglation was not designed for all of Canada, but only for the areas where the affluent farmers already exist. The legislation does little or nothing to help the farmers in the Maritimes.

Dr. Kristjanson: Mr. Chairman, with regard to applicability and the development of the program, it is clear that it arose out of controversy and discussion emanating from the task force report on agriculture in which there was considerable feeling that there was simply too much emphasis on efficiency.

I have just come from Manitoba where the requirement is that in the application of the program the farm being purchased must be added to another farm which is relatively small, if at all possible. That does not apply everywhere, but at least in that province it is an attempt to combine in a sensible way two units which, individually, may be uneconomical at the moment.

I will ask Mr. Day to comment in more detail on that, but to answer your second question, land which has gone out of production is quite a different matter. It may be land held by the Crown or held by a logging company, or whatever, but on the surface it would be most difficult to take a unit of land that had gone out of production, which was up in scrub bush, and so on, and to work out the problems around that.

Senator McElman: Let me give you an example. Saint Paul, which at one point was a thriving agricultural community in Kent County, has been deteriorating rapidly. Mr. Chairman, you know that, because you have toured the area. In Saint Paul a young farmer decided to stop farming, perhaps for various reasons. As Senator McDonald suggested, not many years ago farmers were considered secondclass citizens, people almost beneath contempt. That picture is changing, thank goodness! At any rate, for a multiplicity of reasons, this man who had a good piece of ground stopped farming it. Incidentally, we are not talking about 5,000 acres but about 200 acres, which Senator Hays might call a garden patch.

Senator Hays: I have one or two of those garden patches.

Senator McElman: At any rate, these were considered farming units. Up to five years ago that farm was operating so it is certainly not covered in alder bush. It is recoverable, good land. For whatever reasons, the man has gone to work in the CNR shops in Moncton. He left before the program came into effect. His farm is unproductive; it is not operating, but he still owns it. The farm nextdoor is still operating, however, and that nextdoor farmer would like to buy the unproductive farm but cannot buy it under the existing legislation simply because it is not operating. Is that hypothesis right or wrong?

The Chairman: It is possible for the Farm Credit Corporation to lend money for the farmer to expand, is it not, even though his expansion might be taking over some land that had previously been abandoned?

Senator McElman: I am not talking about the Farm Credit Corporation, Mr. Chairman. I am talking about the small farms—

The Chairman: Oh, you are confining it to that. I see.

Mr. J. M. Day, Director, Lending Operations, Farm Credit Corporation: Mr. Chairman, there has been a little change in the picture. In response to Senator Michaud's forewarning I have the breakdown for New Brunswick, particularly in the Moncton area, where nine vendor grants have been made, three of which were financed with the special credit of the Small Farm Development Program.

Senator McElman suggested that special credit was not available to buy the neighbour's farm. It is correct that special credit was limited to land becoming available under the program. At that time it was not intended to duplicate, overlap or compete with the administration of the Farm Credit Act. Under the Farm Credit Act it is possible to buy the additional land, as pointed out, if there is repayment ability. A dollar of special credit under the Small Farm Development Program is not easier to repay than a dollar of credit under the Farm Credit Act. The rates are the same. The money comes from the same source.

Senator Michaud: Is part of it forgivable?

Mr. Day: No, senator.

Senator McElman: Well, what was the purpose of the Small Farm Development Program?

Dr. Kristjanson: Mr. Chairman, the general intent was to facilitate the retirement of units that were inadequate and to encourage, through vendor grants, the transfer of those lands into viable units. Now, of course, the question has been raised as to whether the vendor grant was adequate, or whether the program has, in fact, met its objectives, which is a matter of judgment.

Senator McElman: Through this program, the vendor was able to get a better price than could be paid by the farmer alone; is that correct?

Dr. Kristjanson: No, he was able to get a grant for selling. The vendor was literally encouraged, in money terms, to let go, and the land then went on the market. The farmer and his family were then eligible for counselling and could remain in the family home under certain conditions until they passed away.

Senator McElman: And the purchaser was able to get the land at a lesser price?

Dr. Kristjanson: The purchaser had to go on the market for the land.

Senator McElman: But there was a subsidy, nonetheless, by the federal authority in the whole transaction.

The Chairman: Mr. Chambers, our Research Assistant, has been trying to catch my eye. Do you want to make a comment on this point, Mr. Chambers?

Mr. Chambers: I think the point the committee made in its report about the land transfer program with regard to the purchaser, and the point Senator McElman is trying to make, is that the purchaser is restricted under the program, unless there have been significant changes, to buying only certain types of land, or only from certain types of vendors, those being vendors who are selling under the program. The purchaser cannot buy land under the program that has gone out of production since 1972, when the program started; he cannot buy land that is being sold by a person who has not been farming, or land that is next door to him, even though that piece of land might be the most efficient for him to buy in terms of his own operation, but he might be able to buy land 10 miles down the road from a vendor who is selling under the program.

If my memory serves me correctly, there is a difference in the special credit in that there is no longer the requirement to put up as a first or second mortgage the land that is presently held by the purchaser. In other words, the prospective purchaser is, in effect, risking very little. As Mr. Day was attempting to suggest, paying a dollar back is paying a dollar back, but what you lose out on if you do not pay that dollar back is quite different under the special credit assistance program than it would be under an ordinary FCC loan.

There is a significant difference, it seems to me, in that it encourages farmers to move out of production by providing the grant and allowing them to sell to anyone actively involved in farming who can add the land to an economic unit. The vendor will receive \$1,500 plus 10 per cent, up to the limit. However, while the farmer will receive this grant to encourage him to sell, the person he is trying to attract to buy the land is severely discriminated against. That, I think, is what Senator McElman is trying to point out, and that has not been changed, to our knowledge.

Mr. Day: The special credit assistance program has not been changed in that respect, but the bill under discussion now, if passed, will certainly change the Farm Credit Act to allow low equity loans to be made to young farmers, and that may go a long way towards correcting the inequity to which you have referred.

In developing the Small Farm Development Program, it was felt that they should not get into the broad field of farm credit. It was felt that if there was a need in this area, then it should be the Farm Credit Act which should be amended. To carry out the suggestion that has been made would bring the special credit assistance program under the Small Farm Development Program into the broad spectrum of farming.

Mr. Chambers: It would make it more efficient.

Senator McElman: I should just like to make one further comment, if I may, Mr. Chairman. This brings us back to the continuing beef we in the Maritimes have, that being that so often farm legislation is designed for parts of the country which do not include the Maritimes. If I am not misreading what I feel are indications that I see from time to time, there is little or no consideration given by Agriculture Canada to the fact that in the Maritime provinces one of the most important elements in a viable farm operation is the woodlot.

If a farmer in the Maritimes with a garden patch of 200 to 300 acres also has 100 acres of good coniferous forest, he can take a cash crop from that 100-acre woodlot that will, indeed, subsidize his farming operation and keep him alive in cash terms and help him in paying off his machinery depreciation costs, replacement, and all the rest. It seems to me we have tremendous difficulty impressing upon people in other parts of the country, or people of Agriculture Canada who learned their trade in other parts of the country, that this has to be considered as one of the most important elements in a viable farming operation in the Maritime provinces.

The Chairman: Time is moving on. I take it we want to deal with this bill this morning. I am not trying to cut off any discussion. I believe Senator McGrand has a supplementary.

Senator McGrand: Senator McElman mentioned the woodlot as being so important, and I agree with him. There were a number of farmers in the Maritime provinces, especially in New Brunswick, who were stranded in agriculture. They could not get out of it. Some lumber companies came along and offered to buy their lumber, and the farmers took the position that they would only sell their woodlots if they could sell the rest of the land and, if the lumber companies were able to get a good price for the lumber, they agreed to take the farm for \$1,000, or something like that. I am sure Senator McElman has seen that happen. That is why a woodlot is so important to farms in the Maritimes.

I do not agree with Senator McDonald that we should not get into a land-lease arrangement. I believe that either the federal or provincial governments should buy up all that land which has been neglected for years and build up a land bank. It is not poor land; much of it is very good land. The government could then lease some of it for woodlot production. If a young man came along who was holding down another job, he could lease a piece of land and work it as a woodlot. I think there is a place for a land-lease program.

I believe that in Holland the farmer never does own the land. The land is all prepared and comes with buildings, machinery, and so on, and he leases it for his lifetime. He never owns the land. He owns the assets and can sell those assets if he is successful. I do not see why such a program would not work in Canada, especially in the Maritime region.

That has nothing to do with the bill before us, Mr. Chairman, and I am probably out of order, but I think there should be some provision in respect of loans for leased lands as well as on lands that are owned.

As a matter of interest, what provinces are the departmental officials from?

The Chairman: I heard someone say Saskatchewan. I do not imagine all of the officials come from Saskatchewan.

Senator McElman: How many come from east of Ottawa?

The Chairman: Two, it seems.

Senator McElman: How far east of Ottawa?

Mr. Lanoix: Ten miles.

Senator McElman: Perhaps that is the reason.

Senator Michaud: A few moments ago, Mr. Chairman, I referred to the situation in Kent County. I should now like to put on record the number of acres concerned. Between 1966 and 1971, 35 per cent of the improved land was removed from agriculture, amounting to 18,092 acres. If the same decline in acres continues, a further 18,000 acres could be removed from production between now and 1977.

Senator McDonald: What happened to that land?

Senator Michaud: It is just lying idle; it is going back to bush.

Senator McGrand: But not to lumber.

Senator McDonald: It just went out of agricultural production? It was just abandoned?

Senator Michaud: It is just lying idle. Some of the farmers have recently come under pressure from lumber operations who want to buy the land at minimum costs.

Senator McElman: I suppose they want to buy it at \$10 or \$12 an acre.

Senator Michaud: It is a little higher than that now, but it was at that level for some time.

Senator McDonald: The lumber companies, I assume, have a reforestation program.

Senator Norrie: In all fairness to the lumber operators, I think many of them have been begged to take the land off the hands of the farmers.

Senator Michaud: In some cases, that is true.

Senator Norrie: I do not think it is all the fault of the lumber operators.

The Chairman: As you are no doubt aware, Dr. Kristjanson, this committee is in the process of carrying out a study on agriculture in Eastern Canada. There is a feeling amongst members of this committee that there are certain parcels of abandoned land in the Maritimes that might well be brought under agricultural production, and we will certainly be grateful for any assistance you can give us as to how this land might be brought under agricultural production and be formed into economically viable units.

Mr. Holmes: I do not know whether this is the place or not, but there are two or three misapprehensions which I should like to deal with. First of all, loan applications from farmers in the Maritimes are handled by people in the Maritimes. Also, with respect to woodlots, particularly in New Brunswick, we take the value of the woodlot into consideration when considering an application for a loan.

Someone mentioned the area of Saint-Paul. I had occasion not too long ago to go through that area with our branch manager, and in areas such as Saint-Paul, we actually place values higher than elsewhere. As members of the committee will be aware, we generally make loans on the production value, which, throughout most regions of the country, is less than the market value. In the Maritime provinces, however, we say to our field staff that if the production looks to be there at all, not to limit it. Those factors are taken into consideration, and if we can make a loan at all, we do so.

As Senator Michaud has said, there are one or two farmers to whom we could lend practically any amount of money, and yet many in the surrounding areas have left. It is difficult to find the type of production on that type of land that will enable the borrower to repay the loan. Generally, the amount of money we pay out is very close to the realized net income, because it is a loan program which is fully repayable.

Senator Hays: Going back to the structure, what is the total amount of capital in the Farm Credit Corporation now? I think somebody mentioned \$100 million.

Mr. Lanoix: That is the total capital under section 12.

Senator Hays: And that is multiplied 25 times?

Mr. Lanoix: It allows the corporation to borrow from the Minister of Finance 25 times that amount.

Senator Hays: And what is the total?

Mr. Lanoix: The statutory limit right now is \$66 million.

Senator Hays: And you multiply that by 25?

Mr. Lanoix: Yes, giving us \$1,650,000,000.

Senator Hays: And what is your rollover each year?

Mr. Lanoix: To go back to 1974-75, we will get back about \$85 million in principal payments from farmers, and we will pay out in loans about \$250 million.

Senator Hays: And what does it cost the corporation to operate?

Mr. Lanoix: About three-quarters of 1 per cent.

The Chairman: And the interest rate today is 7½ per cent?

Mr. Lanoix: The rate now is 8½ per cent.

Senator Hays: You are about one point behind the prime all the time. Is that the way you operate?

Mr. Lanoix: The lending rate is set by regulation, and it is based on the average yield on government bonds.

Senator Hays: In any event, if you add \$34 million to your capital and multiply that by 25 times, you would be well over \$2 billion.

Mr. Lanoix: Yes, \$2.5 billion.

Senator Hays: What was your capital in 1962?

Mr. Lanoix: I do not recall what the capital was in 1962, but the lending rate was 5 per cent.

Senator Hays: It was a subsidized rate of 5 per cent at that time.

Mr. Lanoix: That is right.

Senator Hays: The rate was allowed to float at that time. The structure was changed, in that the government took the position that we could not expect to have the rate subsidized. It is not subsidized that much today.

Mr. Lanoix: The lending rate was changed on November 15, 1960.

Senator Hays: I think the total amount of money lent out at that time was \$400 million.

Mr. Lanoix: That is approximately right.

Senator Hays: I argued with the then Minister of Finance that it was peanuts, and I still have that argument. If you put in another \$34 million in capital, you would be up to \$2.5 billion. That is not going to make or break Canada. The increases you have made have not even kept pace with inflation.

Mr. Lanoix: In the past, it has. Prior to two years ago, it did.

Senator Hays: What is your drag now in relation to inflation? When was the last time you put any capital into the corporation?

Mr. Lanoix: This year we put in \$9.25 million.

Senator Hays: And you multiply that by 25?

Mr. Lanoix: Yes. We ended up increasing our borrowing from the Minister of Finance to the tune of \$240 million. Right now our outstanding capital investment in farm loans is over \$1.6 billion.

Senator Hays: What is the difference in the price of land when you were sitting at \$1.5 billion? What was the average price of agricultural land and what is it today? What has been the increase?

Mr. Lanoix: I cannot answer that. Maybe somebody else can.

The Chairman: Perhaps at this point I could say that we have a written statement from the Canadian Federation of Agriculture, and I would like to have it printed as an appendix. Would somebody move that it be made an appendix to today's record?

Senator Norrie: I so move.

Senator Hays: I second the motion.

The Chairman: Is it agreed that it be printed as an appendix to today's record?

Hon. Senators: Agreed.

For text of statement see Appendix "A"

Senator Hays: You would have those figures that I asked for, would you not, the average estimated increase in the price of land? My next question will be to ask whether you have done any refinancing on the increased price of land? If a man came to you and said, "Loan me \$X on the valuation of the farm," you would refinance that?

Mr. Lanoix: Yes.

Senator Hays: What percentage would you refinance?

Mr. Lanoix: The percentage of refinancing is about 35 per cent.

Senator Hays: Of all loans?

Mr. Lanoix: Of all loans that have been refinanced? About 35 per cent will be a rollover of the ones we are financing.

Mr. Holmes: In terms of the number of loans that are refinanced, simply rolled-over?

Senator Hays: Yes.

Mr. Lanoix: Because of the statutory requirement that we hold a first mortgage, right now it is running at about 55 per cent in terms of number of loans. In terms of dollar amount it runs to about 25 per cent.

Senator Hays: What you are really saying is that on farms financed five years or ten years ago that have not come back your equity now is in much better shape than it was before, just because of the increased valuation of the land, which I think has doubled; I think good agricultural land has doubled.

Mr. Holmes: More than that.

Senator Hays: You say more than doubled?

Mr. Carr: In 1962, on an index basis of 168, using 1949 as 100; in 1973 it was 345.

Senator Hays: So it has more than doubled.

Mr. Carr: A little more than doubled.

Senator McGrand: What province?

Mr. Carr: That is for Canada.

Senator McGrand: What about Kent County?

Senator Hays: Its potato land would have doubled too; it does not make any difference.

Senator McGrand: What about New Brunswick?

Mr. Carr: In New Brunswick it was 140 in 1962, and in 1973 it was 267.

Senator McGrand: That is on an average?

Mr. Carr: That is an index as compared to 1949 at 100.

Senator Hays: Do you separate the price of land and the price of buildings? Do you look at that at all in the mortgage?

Mr. Holmes: No, we don't. We value it as a farm. There is a valuation of the buildings, but this is for a different purpose.

Senator Hays: You do not have any statistics on the valuation of buildings?

Mr. Holmes: No, not really. We have valuations, but in actual fact it is a valuation of buildings for insurance purposes. They do not generally add this amount to the value of the farm, and we value the farm as a unit. You cannot value buildings at their replacement cost or depreciation cost and take it off.

Senator Hays: Where do you get the 8½ per cent?

Mr. Holmes: The interest rate that we are charging?

Senator Hays: Yes.

Mr. Lanoix: As I mentioned a few moments ago, this is determined by regulation, and the basis of it is the cost to the government of its bonds.

Senator Hays: Plus one per cent?

Mr. Lanoix: Plus one per cent.

Senator Hays: Less three-quarters, so you make a quarter.

Mr. Lanoix: That is right.

Senator Hays: So if the government is paying 7½ per cent for money, you charge 8½ per cent. What do you set aside for bad debts?

Mr. Lanoix: In effect, our reserve for losses is our reserve for bad debts. We do not set up a reserve *per se* for what may be called bad debts, if you are thinking in terms of accounting.

Senator Hays: What was the percentage of your bad debts vis-à-vis your loans? You have \$1.6 billion. What is your percentage of bad debts?

Mr. Lanoix: Right now it is running at about four cents on \$100 that we lose.

Senator Hays: Four per cent?

Mr. Lanoix: No, four cents on \$100. This is the amount of our capital losses.

Senator Hays: It is one-quarter of one per cent. Is that pretty consistent? Is it better now? Has it been better in the last two years?

Mr. Lanoix: It has been consistent in the last four or five years.

Senator Hays: Has it been consistent over ten years, less than one-quarter of one per cent?

Mr. Lanoix: Yes, about that. It varies between, let us say, \$150,000 to about \$300,000.

Senator Hays: In view of all the answers by the Farm Credit Corporation, I would like to move as an amendment that we increase this \$140,000 to \$200,000 and that the age be 40 years. I do not know whether or not we can do this, because this is a money bill.

The Chairman: Let us take it one at a time.

Senator Hays: I can move that the age limit be increased from 35 to 40.

Senator Norrie: I second that amendment.

The Chairman: Do we have one amendment before us or two?

Senator Hays: I take it we cannot interfere with the amount, because it is a money bill.

The Chairman: That is a highly debatable point. My own view would be, from a legal or rule point of view, that the Senate could vary that limit within the total amount of money recommended to Parliament. In other words, we cannot increase the amount of money that is coming in, but we could say that an individual loan might carry a higher ceiling. I am not saying whether I am in favour of it or against it.

Senator Hays: I think it should be \$250,000. I do not think there should really be any limit on it and never have. I thought it whould be on ability to pay. When the bad debts are only a very small fraction and you have loaned out in Canada less than \$1.6 billion, we have 170 million acres between the fences of farmland in Canada, I think it is time we opened this up a bit and realized just what is happening. I do not know what it is in the United States, France or Holland, but I know they were lending money when we were just playing with it. I still think the hands of the Farm Credit Corporation are tied too closely. I think they are doing an excellent job and that they should have much more flexibility and scope. That is why I moved that amendment.

The Chairman: Senator Hays has moved an amendment that the age limit be increased from 35 to 40. We can take that as a motion to a particular clause. Do you want to consider that idea at this time? I suppose I can be flexible. How do you want to deal with it? Do you want to wait until we get to the clause and then move it as an amendment there? I suppose that would be more clearly in order than trying to deal with an amendment before we get to the details of the bill. We could take it right now.

Senator McDonald: I wonder if I could ask one question on page 30 of the Farm Credit Corporation Report of 1973-74, at the top of the page, the accounts outstanding as at March 31, 1974. Are my figures correct? I have come to the conclusion that in the Maritime provinces there are roughly 2,000 loans in the amount of \$30 million which average \$15,000 a loan, whereas in the province of Saskatchewan, which has more loans than any other province, there were 19,000 loans for \$394 million for an average of a little over \$27,000 a loan. Is my arithmetic correct? Is the average outstanding loan in the Maritimes about \$15,000 as of March 31, 1974 compared to \$27,000 for Saskatchewan?

Mr. Lanoix: I am sure your mathematics is correct, senator. We have to recognize that this is the amount outstanding as of March 31, 1974, and it does not reflect the activity in any particular province in that fiscal year. In other words, one province may have been active, with sizeable loans in that year, but this is the accumulative current principal outstanding going back accumulative current principal outstanding going back perhaps 29 years.

This must be understood as being the principal and interest and other charges that are now due to the Farm Credit Corporation as of March 31, 1974. This is the accumulative amount in a sense, because some of these loans were made 29 years ago.

Senator McDonald: These loans are not in default.

Mr. Lanoix: No, they are not, sir.

Senator McDonald: What interested me was that they are so small.

Senator McElman: Mr. Chairman, I think Senator McDonald's comparison here reflects the amounts of money required for a farm in the Maritime provinces as related to the amounts required for more extensive farm limits required in Saskatchewan. When you are talking of wheat farming as compared to what we used to call mixed farming in the Atlantic area, you have to realize that there is great variation between the two with respect to the amounts of money required to purchase land for farming. I think this would be reflected in a fashion similar to the relationship Senator McDonald gives to averages.

The Chairman: To change the subject slightly, how much are the legal fees today and does the borrower have to pay them?

Mr. Day: Mr. Chairman, we have changed our structure of legal fees somewhat. In accordance with the variation in tariffs, the legal fees vary from province to province. You are quite correct that the borrower pays the legal fees. They are taken out of his loan. A change was made in respect of rollover loans which somewhat eases the cost of borrowing, in that the tariff for the solicitor's legal fees is not applied on a previous loan of the borrower—either one he is receiving himself or may have assumed from somebody else. That is a breakthrough, I think. Also, I think it should go on record that we have a tariff of legal fees apart from the Law Society's tariff of legal fees which is somewhat lower than they would charge on an individual basis.

The Chairman: Give us a picture of what a \$50,000 loan might entail in the way of legal fees in an average province.

Mr. Day: In Saskatchewan it would be around \$225. It would be substantially higher in the province of Ontario or in those provinces where they do not have the land registry system.

The Chairman: Legal fees have always troubled me. I have gone to institutions which will lend the money and do the legal work at small cost.

Senator Hays: Who sets the capital addition each year of \$9 million?

Mr. Lanoix: It simply forms part of the capital budget of the Farm Credit Corporation and must be submitted every year to the government.

Senator Hays: Does the Farm Credit Corporation feel that it is adequate or, taking last year as an example, did it feel that it was in the squeeze?

Mr. Lanoix: First we determine how much money we will need. We then determine how much capital we will need, which is one-twenty-fifth of the overall capital. We then submit this to the government and it is accepted or rejected.

Senator Hays: Are you squeezed?

Mr. Lanoix: Well, last year we were rather restricted.

Senator Hays: Mr. Chairman, in view of inflation and the increased cost of land, it would seem that the capital structure of the Farm Credit Corporation should be tripled and that \$27 million should be added each year rather than \$9 million. It would be appropriate if some means were found for this committee or the Senate to make that suggestion.

For exemple, the Royal Trust Company does more business just in housing than the Farm Credit Corporation does altogether. I think it would be appropriate to treble or at least double that \$9 million. Incidentally, what does the \$9 million give you in additional money? Would it be \$200 million?

Mr. Lanoix: Mr. Chairman, we have to make a distinction here. When we speak of the proposed increase in capital from \$66 million to \$100 million, that is a statutory limit. There is nothing preventing the Corporation from requesting the full \$34 million in one year, if it feels this is what it needs to meet the demands of the farmers. When I mentioned the \$9 million, I meant that that was the amount of capital that we drew last year to meet the demand.

Senator Hays: So you were not pinched? I asked you if you were pinched.

Mr. Lanoix: Well, we were pinched in this respect: the fiscal pie must be divided in a certain way, and the allotment we received was somewhat below the capital budget we submitted and would like to have received. In effect, then, we had to be rather more selective in our lending last year than we would have liked.

Senator Hays: I do not know whether we can tamper with this or not, Mr. Chairman.

The Chairman: I am not certain. The \$9 million was within your legal limit at that time?

Mr. Lanoix: That is right.

The Chairman: In my view, Senator Hays, this is a matter of policy.

Senator Hays: We can deal with policy on a bill.

The Chairman: If we want to say to the government, through legislation, that it should make up to \$100 million available, I think we can do so, but—

Senator Hays: I think we should draw attention to the fact that the amount of capital available by way of loans to the farmers of this country should be increased. As the minister said the other day, the people of Canada are paying 20 per cent or less of their income for food, which is the cheapest in the world. I think it is in the public interest that it be more flexible.

The Chairman: My suggestion as to how we might approach this, if the committee is agreable, is to make it a recommendation in any report we make to the Senate on this bill. We could recommend that there be an increase in the capital and that the \$100 million be made available more expeditiously than would appear to have been the case in the past.

Senator Hays: That is a yearly amount. If the Farm Credit Corporation makes a recommendation for \$9 million a year, it gives them \$225 million a year.

Mr. Lanoix: That is right. Out of that \$34 million, we may choose to submit a capital budget which requires \$25 million. We do have that flexibility.

Senator Hays: This is an opportunity for farmers to benefit which is not really costing anybody any money. The nature of the capital structure is such that the government raises this money through a bond issue. The bond issue may yield 71/2 per cent and the Farm Credit Corpora-

tion comes along and uses three-quarters of 1 per cent to operate and charges the farmer 81/2 per cent. There is no subsidy involved. This is a benefit which can be made available to the agricultural community without costing anyone one cent. If the farmer has to go to an insurance company, or some other lending institution, he will pay 11 per cent or 111/2 per cent, and the people who get that 11 per cent are the shareholders of the institution. I think this is a very important point in so far as the farming community is concerned.

The Chairman: If the committee is agreeable, I can ask Mr. Chambers to prepare a report with the recommendation that the capital ceiling of the corporation be increased, following which we can hold a further meeting to determine in what form we will make that recommendation.

Senator Hays: As the officials of the corporation have said, to increase loans to \$200,000 or \$250,000 is not unreasonable.

Senator Norrie: Mr. Chairman, is this just for the purchase of land?

The Chairman: It would be for the purchase of land or any other item that comes under the regulations.

Senator Norrie: Would it include buildings and machinery?

Mr. Lanoix: Yes.

The Chairman: The consensus of the committee seems to be that we make a recommendation that the capital ceiling be increased. In doing so, we will be recommending to the government that it adopt an expansionist policy.

When we come back to consider the report and any recommendations we make, we can deal with Senator Hays' proposed amendment increasing the age from 35 to 40, as well as Senator Hays' recommendation that the loan limit be increased from \$150,000 to \$250,000. We can put such a recommendation in the report of the committee. Personally, I am opposed to an increase from \$150,000 to \$250,000, but that does not mean that the committee should not make that recommendation.

Senator Hays: I would hope it would be just personal, Mr. Chairman.

The Chairman: Since I am the chairman, I do not have a vote.

Senator Norrie: I do not know why you are so worried about it. The way in which moneys have been loaned in the past has been very, very shrewd. They are not going to give out money to people who cannot repay it.

The Chairman: I am not worried about it. I just do not go along with those who feel that public funds are necessarily best spent in \$250,000 chunks.

Senator Norrie: It is about time the farmers in this country got a chunk of some of that money.

Senator Hays: Hear, hear.

The Chairman: If the government were to provide \$250,000 to people in my district to buy farms it would upset the whole community.

Senator Norrie: It is about time some of them were upset.

Senator McDonald: Senator Norrie asked a question a moment ago about these loans being available for buildings and machinery. Is that only in the case where you are buying a whole unit? You cannot use this money to go out and buy a new tractor, can you?

Senator Hays: I think there used to be a limit of \$15,000, or something, in respect of machinery. We also have legislation covering machinery which permits people to group together for the purchase of machinery.

Mr. Holmes: We can make loans under the Farm Credit Act for the purchase of lands, buildings, improvements to buildings, livestock, equipment, and so forth, as well as for the purpose of paying off debts. We can provide you with those figures. We also have the Farm Syndicates Credit Act under which we make loans specifically for equipment and farm buildings.

Senator McDonald: The Farm Syndicates Credit Act is a branch of the Farm Credit Corporation, is it not?

Mr. Holmes: It is a different act, but we do administer it?

Senator McDonald: It is not under the Farm Credit Act?

Mr. Holmes: No.

Senator McDonald: Loans cannot be made under the Farm Credit Act for the purchase of machinery; is that not right?

Mr. Holmes: We can make loans for the purchase of machinery, senator. The percentage of loans for that purpose is not very high. I believe it was 1.3 per cent last year.

The Chairman: Honourable senators, I have asked Dr. Kristjanson privately as to whether there is any urgency in having this bill passed, and I think he should put his answer on the record.

Dr. Kristjanson: Mr. Chairman, honourable senators, it would make a substantial difference in the administration of this program if passage of this bill was delayed for two or three weeks. People are lining up at our offices now and we are embarrassed because we are unable to specify what the final regulations will be. We cannot release the regulations until the amendments have been passed.

We have listened very carefully to what has been said by members of the committee, and we will study the recommendations which have been made with a view to making adjustments by the end of the year. We had hoped that these amendments would have been in effect on April 1.

From an administrative point of view and a public image point of view, there would be problems if passage of this bill were delayed for two or three weeks.

The Chairman: Are delays being encountered in processing the loans, or is the corporation agreeing to make the money available subject to the passage of this bill and the regulations?

Mr. Holmes: I might say, Mr. Chairman, our field staff is highly perturbed because of the delay. I know of one member of our field staff who has 63 applications waiting to be processed. They are holding off waiting to see whether it will be more advantageous. We are continuing to make loans to those people who come within the present scope of the act, but from a practical point of view it is

causing some problems, because we have many people who are just waiting.

Senator Hays: The amendment in respect of the age limit is a very simple one.

The Chairman: Yes, but the bill will have to go back to the House of Commons for concurrence.

Senator Hays: It is my experience, Mr. Chairman, that if it is not done now it will never get done.

Senator Norrie: Is there any concerted effort on the part of anybody to help those farmers whose operations are just folding up? In other words, is there anyone going around to the farmers who are having financial difficulties and offering to make loans under this program?

Dr. Kristjanson: In reply to that question, I think we have to recognize the predominance of the provinces in this area of land ownership rights. The land bank question has been raised and debated, and in Manitoba and Saskatchewan the provincial governments are buying up the land which is abandoned and reassembling it.

Senator Norrie: I am thinking about farmers whose operations are folding. Is there any concerted effort on the part of anyone to help those individuals continue?

Dr. Kristjanson: In that respect, I think that from a social point of view it would be preferable to lose more at the lower end than at the upper end of the scale. In other words, if we could be more adventuresome in the area to which you are referring, senator, I think we could do more socially, bearing in mind what the Prime Minister said about the decrease in the number of farms.

Senator Norrie: There are some marvelous farms going under.

Dr. Kristjanson: I say that without commenting as to whether or not we should be doing more at the upper end of the scale. In answer to your specific question, it is my opinion that we have to pay much more attention to that problem.

Senator Norrie: In other words, there is no hope of saving those farms.

Senator Hays: The interest rate is flexible, is it not?

Dr. Kristjanson: Yes.

The Chairman: The rate should be going down soon.

Mr. Lanoix: It has gone down from $9\frac{1}{2}$ per cent to $8\frac{1}{2}$ per cent.

The Chairman: Honourable senators, my suggestion is that we adjourn now and arrange to meet later this day when we will have before us a specific amendment to increase the age from 35 to 40, as well as recommendations that may or may not be included in the report we will make to the Senate. We can adjourn now and meet either at 1:30,A before the Senate sits, or after the Senate rises. We cannot get permission to sit while the Senate is sitting as that requires notice.

Senator Hays: Mr. Chairman, if members of the committee are in favour of the amendment I proposed, increasing the age limit from 35 to 40, we can deal with that right now. In that way we could report the bill this afternoon.

Agriculture

As far as the other items of recommendation are concerned, if the committee is agreeable, we could leave it to you to make those recommendations.

The Chairman: Is it the wish of the committee, then, that I report the bill with the amendment suggested by Senator Hays increasing the age limit from 35 years to 40 years?

Hon. Senators: Agreed.

The Chairman: The matter of increasing the loan limit to \$250,000 is, I think, a debatable point.

Senator Hays: May I make a motion, Mr. Chairman, that we rise and report the bill and that you prepare the recommendations, if it is agreeable to the committee, that it be raised to \$200,000 and the capital be taken up higher?

The Chairman: That it be raised to \$200,000? We will recommend, wherever the provisions appear that there be an increase of \$50,000, which would take it to \$200,000 in a certain category. Is that agreed?

Hon. Senators: Agreed.

Mr. Chambers: Mr. Chairman, if I might make a point. If you are amending the legislation to change the age from 35 to 40, it obviously means it will have to go back to the other place; so that if the committee were going to make the recommendation for the rise from \$150,000 to \$200,000, there is no real difference in making the amendment, because it has to go back anyway.

The Chairman: Except that the Commons would have to stretch their rules to turn us down on increasing the age from 35 to 40. On the other hand, I think I can see Mr. Knowles on his feet trying to prove that it is not within our jurisdiction. I think he would be wrong in taking that position. Personally, I think we are safer on the 35 to 40, and I would rather give them something that we might get through than give them something we are not likely get through and we would lose both of them.

Senator McElman: I think there would be an immediate reaction to any change to an amount—

The Chairman: We cannot change the ceiling, anyway. We have agreed that the age should go from 35 to 40. We now have a motion that the limit be increased by \$50,000—in other words, that the ceiling go up to \$200,000 on a given loan.

There is a difference of opinion in the committee. For those who take a different opinion, I will have a roll call. All those in favour of Senator Hays' motion, that the amount that can be made available to an individual will be increased by \$50,000, to a ceiling of \$200,000? It is three to two in favour.

Are there any further items that honourable senators wish to be in the recommendations? Do you wish to move that there be an increase in the total capital?

Senator Hays: I think we should do that.

The Chairman: From \$100 million to what?

Senator Hays: To \$125 million.

Senator Norrie: Does this loan include livestock also?

The Chairman: Yes.

Senator McElman: Have we not had testimony to the effect that they already have the flexibility they need, without that increase?

The Chairman: They have the yearly flexibility. We could hear further testimony as to whether they think the \$125 million would be of any advantage.

Mr. Lanoix: We have complete flexibility, through our submission of a yearly capital budget, to draw any part or the whole of the \$34 million in one year. Going back in past years, where our need for capital has been around the \$8 million, \$9 million and \$10 million, the present increase in the ceiling amounting to \$34 million, should be good to last us about three years. So in a sense the feeling is that within three years the Farm Credit Act will be up for amendment again, and if we have approached the ceiling of \$100 million, it may be the wish of the government to increase the ceiling higher.

Senator McElman: But the flexibility is already there. We are looking ahead three years.

Senator Hays: We heard evidence from the Farm Credit Corporation that land had doubled and that very few people have come back for refinancing of those loans. I think you said that less than 35 per cent have come back to refinance.

Mr. Lanoix: In terms of numbers of borrowers, it is 55 per cent roughly, and about 25 per cent last year in terms of dollars.

Senator Hays: In the meantime, land has doubled. The committee must understand that this money is not a subsidy, it is not being paid by the government, because the infrastructure is based on the ability of the government to borrow. If the government borrows, \$1,000, through a bond, they pay 7½ per cent. That is what they sell the bond for. The Farm Credit Corporation gets this money on that basis. It rides up and down according to the prime rate. Then they use ¾ of one per cent of that 7½ per cent, which takes it up to 8¼ per cent and they charge 8½ per cent, with their built-in losses in the one per cent, if I am correct.

A lot of people think the Farm Credit Corporation is a subsidy to other farmers. It is not a subsidy at all. Our new chairman—I am pretty optimistic about this—mentioned already that in the Maritimes there are loans at the bottom end, where we could be a little more careless in our loaning, that our bad debts indicate that we can help these people enlarge these units, and so on. That \$34 million could dissipate very quickly. If you remember, I told you it took one trust company I know 100 years to lend out \$1 billion, and only five years to lend out the next \$1 billion; and in the next five years they are going to lend out \$4 billion. So three years is not very long when you have inflation running in the double figures, 10 per cent, and land doubling in three or four years. That is my argument.

The Chairman: Since we have already agreed to recommend that the amount of money for an individual loan may be increased, I think it is consistent that we go along with the recommendation of Senator Hays, particularly when it might be misinterpreted as the Senate saying there should be bigger loans out of the given amoun of money Parliament has provided, which would mean that if there are more big loans there might be fewer smaller loans. I think we could be misunderstood. While I was not too enthusiastic about an increase in the total amout per loan, I think

this is consistent with what we have done, and that it would be wise to make this further recommendation. Perhaps I should not make those statements.

Senator McElman: If we are doing it for cosmetic reasons, that is one thing and that is fine. However, if you are doing it for a requirement that has been expressed in testimony, that is another thing, and it has not been expressed in testimony here. It has been expressed in testimony that there are sufficient funds, that there is flexibility, and we are looking three years away. I say it is sheer nonsense to do something for cosmetic purposes; that is not what we are here for.

Senator Hays: This is just a recommendation.

The Chairman: I don't think it is for cosmetic purposes. I think that if this committee recommends that the total ceiling be increased from \$100 million to \$125 million it

would follow that we want the government to expand the whole program. I think that is what that means, and I think that is what Senator Hays has in mind. I do not think he is concerned about whether there is enough money next year or not. I think he is concerned with an expansion of the whole program.

In any event, are you ready for the question? It has been moved that we recommend an increase in the ceiling from \$100 million to \$125 million. All those in favour of that recommendation? All those opposed? The motion is carried.

Senator McElman: I move that we report the bill, as amended.

The Chairman: Is that agreed?

Hon. Senators: Agreed.

The committee adjourned.

APPENDIX "A"

The Canadian Federation of agriculture

April 24, 1975

Honourable Hazen Argue,

Chairman.

Standing Committee on Agriculture,

The Senate.

Ottawa, Ontario

K1A 0A4

Dear Mr. Argue:

The Canadien Federation of Agriculture has reviewed Bill C-34 proposing amendments to the Farm Credit Act and wishes to comment briefly on the proposed provisions.

The major trust of the amendments in Bill C-34 is to provide additional facility in the Act providing credit for young people who are entering farming. The C.F.A. has long supported the position that special credit facilities were required for this purpose, and therefore believes that this provision is a positive step.

The major concern which the Federation has regarding the proposed amendments is the provision regardeng maxima for loans.

The present Act provides for a maximum of \$100,000 per farm entreprise. However in view of the substantial increases in recent years in the price of land, and other farm capital, it is the considered view of our members that the maxima should be increased to \$250,000 per farm. In suggesting a maximum at this level we are thinking of

providing some scope in the Act for possible continuing increases in the cost of capital items coincident with some continuing development toward larger and more capital intensive operations.

We appreciate that the proposed amendments provide for a maximum of \$150,000 for loans to young farmers, under the age of 35 years; and a maximum of \$100,000 for those not so defined in the Act. While the Federation appreciates the general intent of giving an emphasis in the legislation to the credit needs of the younger farmers, we believe that the act should provide for a level of credit in keeping to all farmers whether they are classed as "young farmers" or otherwise. We would not expect that many longer established farmers would need credit in the same amounts as newer, or beginning operators, but nonetheless we believe the opprtunity should be there for them should their circumstances suggest larger loans. Consequently in addition to needing to amend Section 17.1(1)(a), Section 17.1(1)(b) should also be amended.

We note that the proposed amendment provides for the Corporation to secure loans by other than only first mortgages. We believe that this is a useful amendment and would support it. This provision will allow for more flexibility in farmers' planning and certainly should simplify the administration, and keep administrative costs to a minimum, where additional loans are being taken by present creditors.

We trust these views will find favour with you Committee.

Yours very truly,

The Canadian Federation of Agriculture per: Wm. Hamilton

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada







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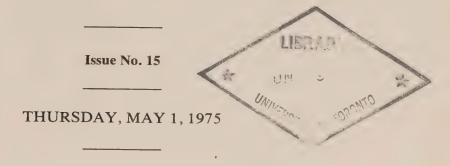
FIRST SESSION—THIRTIETH PARLIAMENT 1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman



Examination of Crop Insurance Programs in Canada: The Alberta Hail and Crop Corporation.

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue, H.
Blois, F. M.
Côté, J. P.
*Flynn, Jacques
Fournier, M.
(Restigouche-Gloud

(Restigouche-Gloucester) Norrie, Margaret F. Haig, C. *Perrault, R. J.

Hays, Harry Inman, F. E. Lafond, P. C. McDonald, A. H.

*Ex officio members

(Quorum 5)

McElman, Charles McGrand, F. A. McNamara, W. C. Michaud, H. J.

Molgat, G. Norrie, Margaret

*Perrault, R. J. Sparrow, H. O. Welch, F. C. Williams, G. R. Yuzyk, P.—(21)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate.

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

That question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Thursday, May 1, 1975.

Pursuant to adjournment and notice the Standing Senate Committee on Agriculture met this day at 10:00 a.m. to examine the Crop Insurance Programs in Canada.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Haig, Inman, Lafond, McDonald, McElman, McGrand, Michaud, Molgat and Norrie. (11)

In attendance: Mr. Albert Chambers, Research Assistant to the Committee.

Witnesses:

Alberta Hail and Crop Insurance Corporation:

Mr. G. R. Sterling, Chairman;

Mr. J. P. Christie, Vice-Chairman;

Mr. A. W. Hallowes, Director;

Mr. J. Langelier, Director;

Mr. J. M. McKay, Director;

Mr. R. Wallace, Director.

Agriculture Canada:

Mr. G. M. Gorrell, Director, Crop Insurance Division.

Upon Motion of the Honourable Senator Haig, it was *Agreed* that a Brief submitted by the Alberta Hail and Crop Insurance Corporation be printed as Appendix "A" to these proceedings.

At 12:20 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, May 1, 1975.

The Standing Senate Committee on Agriculture met this day at 10 a.m. to examine the Crop Insurance Programs in Canada.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, this morning we are continuing our study of crop insurance in Canada. We have with us this morning a distinguished delegation from the province of Alberta, headed by Gordon Sterling of Three Hills. Mr. Sterling is the Chairman of the Alberta Hail and Crop Insurance Corporation.

Alberta has done some useful work in the field of crop insurance. Even the limited information we have at hand with respect to what they are doing suggests that they are in the vanguard of those making improvements in crop insurance.

Without further ado I will ask Mr. Sterling to introduce the members of his delegation and to present his brief.

Mr. G. R. Sterling, Chairman, Alberta Crop Insurance Board: Thank you very much, Mr. Chairman, honourable senators. We are happy to have the opportunity to appear before you and to present our views on all risk crop insurance and hail insurance in Alberta.

Before proceeding to do that I should like to introduce the Board of Directors of our corporation. Proceeding from left to right, they are: Mr. Art Hallowes, who is a farmer from Sangudo; Mr. Mickey McKay, a member of our Board and also President of the corporation; Glenn Gorrell, who is not a member of our Board but who is in charge of crop insurance in Ottawa; Mr. John Langelier, a director of our corporation from Falher; Mr. Jim Christie, Vice-Chairman and Director of the corporation, and Mr. Robin Wallace, who is a farmer from Barrhead. Incidentally, Mr. Christie is also a farmer and so is Mr. Langelier.

Honourable senators, we have prepared a short brief giving you the program as it exists in Alberta at the present time and showing how it developed. When I have finished presenting that, I should like Mr. Art Hallowes to make a short presentation of some of the changes we would like to see occur with respect to crop insurance in Alberta.

Just going through the brief quickly, you will see on the first page an outline of the major provisions of the Canada Crop Insurance Act. First, our plan is actuarily sound. We hope to keep it under the 80 per cent long-term average yields required by the act. We plan to use and are using a reinsurance fund, as provided in the federal act. And, as you know, the federal government is prepared to pay 50 per cent of the farmers' premiums—We take full advantage of this. Alberta pays the full administrative costs involved.

Before crop insurance came into Alberta we had a hail board. For a certain period of time we had both a board covering all risk crop insurance and a hail board. In 1969, however, the two boards were amalgamated into the Alberta Hail and Crop Insurance Corporation, which now handles both types of insurance. Two programs under the one board. In terms of accounting, however, they are separate. We keep the funds separate. We know what is paid out under each, but they are run by the same board of directors and come under the same general administration.

To give you an idea of our experience to date, from 1965 to 1974 farmers have paid a total of \$27 million, and the government has paid a little over \$16 million, for a grand total of \$43 million. We paid out \$39 million or a ratio of approximately 91 per cent on loss to premium.

On page 2 of the brief you will notice that in tabular form we show the amounts per years, 1965 to 1974, of the totals I just gave you. Also on that page we give a brief yearly history of the number of contracts in force, the acreage insured and the risk carried. I should like you to note that in 1973 and 1974 we added a hail rider as a spot loss feature which was well accepted in both years. In 1974 we had a considerable increase in the risk carried and, of course, the indemnities paid. This was mainly as a result of the extra people who took out the hail rider and because of the number of extra acres insured.

On page 4 you will see the "accumulated loss experience by crops", showing that we paid out approximately 95 per cent in indemnities. We like to point to that because it shows that our premium to loss is very close to being actuarily sound.

At the bottom of page 4 we have given, by 11 areas, the loss to premium ratio. We show the premium, the loss and the loss to premium ratio. It runs from a low of 26 to a high of 225. The area which is high, or the highest of those, is rather a small area from an agricultural point of view. As you can see, both the premium and the loss are low compared to the rest, but it does give a rather higher loss to premium ratio.

On page 5 we have the insurable crops shown. Practically all crops grown in Alberta are shown here, except some which are grown in rather small acreages. But all the major crops that contribute to the total dollar revenue from crops are insured.

We show the perils covered. They are all of those listed in the federal act and all perils generally.

In order to be insurable the person must be a farm operator and not a landlord. We do have straight hail protection, if any landlord wishes to take that type of coverage.

We do have one single contract, unless the same owner has two farms more than 15 miles apart, in which case we will give him two contracts.

Each crop is insured separately and all of that crop must be insured. We have different levels of coverage on summer fallow and stubble. Naturally, the summer fallow is the higher coverage.

The policyholder can elect the type of crop he wishes to insure. He must make his election by April 30 of each year. The reason for that date is that he then does not have the opportunity to look at his crops in the early stages and decide that one should be insured because it does not look good and another should not be insured because it is doing well.

Generally there are two levels of coverage: 60 per cent average yield and 70 per cent. We have gone as high as 80 per cent in the past, but it was not found very acceptable because at that level the premium becomes so high very few are prepared to take it.

Each year we set the price options up. Last year we had two. This year we have added a third level. For example, you can see that spring wheat and winter wheat have gone from \$1.50 to \$2.50 and then to \$3.50. The other grains and oil seeds are all listed there for you.

As far as coverage is concerned, we use a soil classification and at the moment we have 11 risk zones with climatic, growing and weather conditions as being quite comparable in each of the 11 zones. That is the purpose of dividing it into those zones.

Then on the next page you will see that as far as premiums are concerned our objective is, of course, to set them at a level that will cover only the losses which may be expected over a period of years and to have the whole thing actuarially sound. And we are subject to ratification here by the federal government. Mr. Gorrell also likes them actuarially sound, and that is the way it should be. This year, starting for the first time, we have had fairly high premiums, particularly in the northern part of the province. Furthermore, this year we decided that the province would add a subsidy to the premium, and we now pay one-half of the farmer's portion of the premium in excess of 6 per cent. In other words, if the premium worked out to 8 per cent in a particular area, then the province would pick up the 1 per cent and he would pay a 7 per cent premium. So we are subsidizing those with excessively large premiums.

We have a coverage adjustment, and this is our attempt to get farmers on their own actual experience. Over a period of seven years a farmer can go as high as 130 per cent of the average coverage. We also give him a 25 per cent reduction in premium if he has no losses during that period. Mr. Hallowes is going to clarify this in a little more detail in a presentation that he will make in a few moments. But this does give the good farmer, who is producing above the average for the area, a better coverage which we think he is entitled to, because his production is high enough that he seldom has a chance to claim unless we give him this extra coverage. He needs the extra coverage because his inputs into the crop are larger than the average inputs. So, if he does have a loss he has more coverage per acre and needs more protection in our opinion.

We have had a number of snowed-under crops in Alberta over the years and sometimes they come through with little or no damage, but most of the time there is some damage which can range all the way from a small amount to 100 per cent, depending on the conditions. This year for the first time, we will pay 25 per cent of the coverage on

any unharvested acreage in excess of 20 per cent of the total acreage of that crop. In other words, the farmer himself must stand the first 20 per cent that is snowed under and then we will pay him 25 per cent of his coverage with no questions asked. If he gets a full crop in the spring, which seldom happens, then he retains the 25 per cent. But if he has a full loss in the spring, we will again go out and adjust and pay him the remaining 80 per cent or the full coverage that he has. If he gets his coverage, we are not asking for the snowed-under payment to be returned. In other words, there are no questions asked in that regard.

Another feature we have added for this year is to cover loss caused by inability to seed summerfallow acreage due to excessive moisture in the spring. This is on approximately the same basis. Compensation of \$20 will be paid on each acre of summerfallow in excess of 20 per cent of the total. In other words, here again the farmer is expected to carry the first 20 per cent.

As far as irrigation coverage is concerned, crops grown on irrigated land in a recognized irrigated district qualify for higher coverage than crops grown on dry land. This is for the simple reason that they have the ability to produce more. Coverage is set at 40 per cent above the summerfallow coverage for the land on which the crop is grown. Where the irrigation bonus applies, drought is not recognized as an insurable hazard. In other words, he must make use of his irrigation facilities and irrigate the land properly, otherwise we cannot give him this irrigation bonus. Because he has it under the ditch does not entitle him to a bonus; he must actually use the water and carry it on in a husband-like manner.

As I have indicated in the records we have a hail endorsement for hail on a spot-loss basis at a cost of 40 per cent of the actual hail rate for that area. We have hail rates established since 1919 when the Alberta Hail Board started operation—with the exception of one year during the depression, we have these rates and we add a hail endorsement for those who wish to have it for 40 per cent of the normal hail rate.

I would like to stop there, Mr. Chairman, and I would welcome any questions if you would like to ask them now. On the other hand we could now hear Mr. Hallowes and then throw it wide open for questions because I would like to see the other members have an opportunity to say something as well. However, they have not prepared a formal presentation as such.

The Chairman: I am in the hands of the committee, but I think it would be more orderly if we heard the second submission now and then we could have general questions on the whole program.

Mr. A. W. Hallowes, Member, Alberta Hailand Crop Insurance Corporation: Mr. Chairman, honourable senators, if you notice in the back of your folder with the pamphlet that you have been given there is a table and I shall go over it and if you follow it you will be able to understand what I mean. At the present time, as Mr. Sterling has just mentioned, we have these good experiences with discounts that go from 3 to 25 per cent over a seven-year period. That is to say if you have had no losses for seven years, you get a 25 per cent discount in premium. Furthermore, if you have had no losses for seven years your coverage can increase by 30 per cent to a total of 130 per cent of the average area yield. The same thing also works the other way. If a farmer is continually putting in claims his coverage will go down, if his claim is one to

one—that is to say if he has paid one dollar in and he has collected one dollar out—his coverage will stay the same. But as soon as he gets one to 2.99 or roughly one to three, after three years, then in the first year he will go down 10, 20, 30 or right up to the sixth year at 20 per cent. If he is real bad and his claim is 6 to 1, then he could go down to 60 per cent of his coverage. So if the average in an area is, say, 15 bushels, he could be down to 60 per cent of 15 bushels which would bring him down to 9 bushels coverage, even though, with this heavy cut in coverage, we are still getting people claiming.

What we are suggesting—and a lot of farmers are asking for it—is an increase in this 130 per cent to 150 per cent.

You have a diagram here, which needs alterations to it, because it was just drawn up roughly, but your basic coverage is 100 per cent. Now, supposing a farmer has had five years of farming with no losses: we would like him to go up to 150 per cent, because, as we know, 20 to 25 per cent of the farmers produce 80 per cent of the grain. There are many farmers whose production is way above the area average, but the input today is getting higher and higher. For example, your fertilizers and chemicals are \$28 an acre. without any other cost, and yet there are some farmers using no fertilizer or chemical, so naturally their cost is way down; but it is the better farmers that we are trying to get the coverage up for to 150 per cent, because if they do get a loss, with the input they put in to that land, they are going to take an awful beating. For example, we had one farmer took crop insurance out this year whose premium was \$65,000, but if he gets completely wiped out he will get \$900,000. He is covered for about \$1 million, and his premium is \$65,000. He of course, is a large operator. I will answer questions on that afterwards. I apologize if my voice is not too clear. I have an awful cold. I have had it for about a week now and I just cannot shake it off.

On the back page here I believe the first paragraph is self-explanatory. We have three spot losses here that we would like to see improved if we can, which are frost, flood and insects. On frost damage we are not talking about frost, say, in September, we are talking about frost, say, before August 15—a really early frost, like the one that hit in 1935 on August 12. A lot of farmers are asking for spot loss on frost that occurs really early.

With regard to spot loss on flood damage, what we are talking about here is overflow of creeks, rivers or lakes that has wiped out a portion of a farmer's crop. For anything of ten acres or more we would like to see spot loss. We have these spot losses before the federal government, and we have to get the OK for them before we go ahead with the matter.

We also have a program here on a remote sensing research project. It is really a satellite, trying to take pictures of the crops. Whether we are going to get any benefit out of it, I do not know, but the Hail Board has committed \$35,000 into it.

I have a few notes here with regard to research, which a lot of farmers have brought up. I went to the research department of agriculture in Edmonton about it, and they told me to write to the research department in Ottawa. I wrote a letter to Ottawa and Ottawa turned around and sent it right back to the research station in Edmonton. I got no answers. The letter went square root, right around the circle, and we got no answers.

A lot of farmers feel that there is a lack of research with regard to a lot of projects. For example, one thing we want to find out with regard to crops is the number of weeds per square foot with relation to yield reduction. Take, for example, wild oats, Canada thistles, stinkweed, and all that sort of thing. We can go out and inspect the crop, but it is very hard to tell whether it is weeds that have reduced yield, or poor management, or the weather; but if the research people can just go out there and say, "Well, there are ten weeds here to the square foot," we would like to be able to say, "Well, you have lost 40 per cent of your crop due to weeds." That is one area of research that we would like to get more information on.

This is the case also with types of grain. If we get a late spring there are certain varieties of grain that you can seed late and you will not get a reduction in yield. For example, Conquest barley. If you sow this on the first of May or the first of June your difference in yield is not very much; but if you take some varieties of grain and sow them on the first of May, and then take the same variety of grain and sow it on the first of June, there could be a 50 per cent reduction in yield, just due to the difference in variety. Very few farmers know about that. As the season gets late, they do not have enough information as to what varieties they should be trying to grow to try and keep the yield up, and there could be quite a lot of research done on that.

Another area in which farmers feel more research work should be done is that of coated seed. I do not know what has happened to the weather in the last five or six years. It has changed so much that the farmers have just about had to change the whole system of farming. They are experimenting with coated seed in Winnipeg, and I have asked them why it is taking so long. They say the problem is money. They say that if they had more money this could go ahead a lot faster. It looks, the way the weather is changing, as though the research department should be changing too, and coating the seed, so that it could be sown in the fall and not in the spring.

Up our way Jim Christie and myself and several others sowed rape on November 11 last fall. It is not coated. We are experimenting with it to see how it will come out. When I left home my rape was just starting to come up now. The point is, if you get an exceptionally warm fall, the seed will germinate in the fall and you have lost your crop. I think the government should do a lot more research work on this coated seed. I have been to research stations like Lacombe, Beaverlodge, and so on, and if you ask them why it takes so long to do some of this research work they will say, "Well, we just do not have the money."

In my opinion, therefore, and in the opinion of a lot of farmers, the federal and provincial governments are lacking in funds on some of this research work, which I would like to see go ahead faster than at present because the farmes is benefiting from it, and so is the consumer. If the farmer can produce the grain more cheaply in the long run, the comsumer is going to have the gratest benefit because they will buy at cheaper prices.

That is all I have to say right now.

The Chairman: All right. Now we will throw the meeting open for discussion. I wonder if I might start off.

We have taken particular note here that your coverage rates per bushel have gone up, and we are wondering whether or not you, in your thinking, believe that crop insurance should cover the production costs only—the out-of-pocket expenses only—or do you feel that the coverage rates should be such that if possible they would cover all

the farmers' costs, including interest on capital, on mortgages, and so on.

We would also like to know to what extent this is popular. Are the farmers really taking it up?

Mr. Sterling: I would like to have the opportunity to reply on that, and then I will bring in Mr. Christie.

My personnal view is that a farmer must cover more than his production costs, because after all, he has a family—or most of them do—there are not too many bachelors left farming any more—and has to live for a year, so that if he has a complete loss, and there is no profit built into the insurance, he is at rather a disadvantage. Perhaps we should ask any one of the three farmers back there for their opinion on whether or not they should be covered for a profit as well as their actual out-of-pocket expenses.

Mr. J. P. Christie, Vice-Chairman, Alberta Hail and Crop Insurance Cooporation: I can certainly endorse what Gordon has mentioned. With these escalating costs you do not know where you stand next year. For instance, wheat spray 128 Ester has gone up from around \$28 a can last year to around \$70 a can, our fertilizer has doubled in the course of a year, and so it goes on. As Gordon has mentioned, you certainly have got a year to live, and if you get behind at this stage of the game, I do not know when you will catch up.

The Chairman: Would you think the \$3.50 on wheat, let us say, is about the right amount to cover the cost, and perhaps leave a little bit extra for the farmers' living expenses? Do you think the \$3.50, today, is enough?

Mr. Christie: I find it is. I covered my crop at the \$3.50, and we will know fairly shortly how large a percentage of the farmers have taken the \$3.50 coverage; but I do not know about being able to cover a crop that has a rather minimal potential yield. In my area wheat on summerfallow has an average yield of about 40 bushels to the acre. The average yield of the overall area, I think, is 23, and covering this 70 per cent leaves you, with rather low coverage for what you have actually put into it. If you put into it, as Mr. Hallowes mentioned, the increased technologies, and you have an investment of something like \$30 an acre for fertilizers and chemicals, you are increasing the potential of growing a higher yield, but you have put a tremendous amount of money into it. We are encouraging this type of farming in many areas that have not been able to afford these technologies and as a result their yields have been very low, but the potential is there for a higher yield. If we can increase these yields, we can produce a cheaper product to the consumer but it will be an uphill battle and we have to protect people who are putting on these technologies in order to get these yields.

Senator Molgat: I believe you are the only province that has hail coverage along with crop insurance?

The Chairman: No.

Mr. Sterling: I do not think that is true, senator.

Senator Molgat: Saskatchewan has it as well.

Mr. Sterling: Yes, and Manitoba.

Senator Molgat: Does the federal government share in that to the same extent?

Mr. Sterling: Yes.

Senator Molgat: Is the participation 100 per cent rate or 40 per cent rate to which your premium is added?

Mr. Sterling: It is 40 per cent of the actual hail insurance rate which the farmer pays. The federal government pays 40% of the premium and the province of Alberta picks up the remaining 20% as an administrative cost.

Senator Molgat: What about crop loss or damage from wildlife? Does the federal government share in that?

Mr. Sterling: The federal government does share in the wildlife damage fund, with the provincial government. We in the insurance only administer the wildlife damage fund. The actual amount that is paid is set between what was our Department of Lands and Fisheries—I cannot tell you what it is now, as there was a switch—and the federal government; and there is no premium charge for it.

Senator Molgat: That is a straight out indemnity?

Mr. Sterling: Up to a maximum of \$25 per acre.

Senator Molgat: Do you administer the payment?

Mr. Sterling: Yes.

Mr. Hallowes: This is one thing the farmers are asking for. Farmers want the wild life amount, in dollars to be the same as cup insurance in dollars. A lot of farmers figure that if they get \$50 coverage and wildlife has taken that crop, they should be entitled to \$50. They are losing \$25 by collecting only \$25 from the wildlife fund. Most of the farmers figure that if they can get that coverage, and only \$25, they should be paying for the loss and not the farmer.

The Chairman: If you lose a crop through wildlife damage you do not get the regular crop insurance coverage?

Mr. Sterling: If it yields below the farmer's coverage.

Mr. Hallowes: But they want spot loss.

The Chairman: They want spot loss for the wildlife coverage.

Mr. Hallowes: If the insurance coverage is such—because they take 20 acres, the most you get is \$25 an acre. The farmers figure they should get the full amount, up to what the coverage was.

Mr. Sterling: Your statement is right, Mr. Chairman—if he loses all the crop.

The Chairman: Only the maximum amount that is insured

Mr. Sterling: He gets the amount of the crop insurance then. The wildlife usually take 4 or 5 acres here and there.

Senator Molgat: In those cases they will get paid for those acres?

Mr. Sterling: Under the wildlife damage fund.

Senator Molgat: Under the crop insurance, it is only on the overall crop?

Senator McGrand: What does the wildlife damage fund protect against?

Mr. Hallowes: Against duck, geese, elk, bear. Bear can make an awful mess in an oat field.

Senator Norrie: And deer?

Mr. Hallowes: Deer are not as bad as elk. The elk do a lot of damage in the outlying areas, in the oat fields.

Senator Inman: You mentioned insects. What insects do you have to contend with?

Mr. Sterling: We are thinking in terms of an outbreak of an insect that has not occurred previously and where there has not been, to date, a good control measure. An example that we often use is the Bertha army worm which caused severe damage a few years back and which was almost uncontrollable in the first year. Since then there have been measures that can control that insect. We are thinking of that kind of outbreak, that catches a farmer unawares and maybe takes a year or two before a method of control is developed.

Senator McDonald: It takes not only the farmer unaware but the Department of Agriculture unaware, when they have no chemical.

Mr. Sterling: It catches everybody.

The Chairman: Are you recommending that grasshopper damage be covered as spot loss?

Mr. Sterling: Not exactly.

The Chairman: You have not made up your mind?

Mr. Sterling: They can be well controlled.

The Chairman: That is debatable. We found that the sprays are more likely to damage the farmers than the grasshoppers. If my neighbours were here they would certainly tell you that, but if scientists were here they would tell you the farmers are wrong. But that is not what you are at.

Mr. Hallowes: Supposing the farmer had quite a poor crop, and the grasshoppers have got in, and he says that he may as well let the grasshoppers eat it up and get his spot loss—that would be an encouragement not to control grasshoppers.

The Chairman: Personally I think that is a debatable point. However, I am not really asking you about that here. I would think that a very severe outbreak of grasshoppers might to some extent be covered in the crop insurance by spot loss. But that is another matter.

Senator McDonald: I note from the table on page 3, crop insurance participation, in the years 1968 and 1969, those two years, you had a very obvious increase in the number of farm contracts in force and the acreage insured. Then there was quite a sensible and significant decrease in the years 1970, 1971 and 1972. Then coming back to the years 1973 and 1974, both in contracts and in acreage insured, there was a rapid buildup. From 1968 and 1969 there was a rapid loss in the remaining three years, and there appears to be another upsurge in the last two.

Mr. Sterling: I think I should ask our president, Mr. McKay, to answer that.

Mr. J. M. McKay, President, Alberta Crop Insurance Board: Mr. Chairman and honourable senators, in answer to the question, we can only guess at some of these things but I think the yearly growth was just anticipation of a program that would suit the farmers' needs. This went on through 1969. If you will remember, at that point operation LIFT of the federal government came into the picture. Farmers were encouraged to cut down their acreage and

cut down general production. They were paid to do so. As a result, many of them expressed the view under those circumstances: "Why do we need insurance?" And we had rather a heavy dropout in 1970, because of the operation LIFT.

I just have to emphasize this point that, federal programs do have a marked effect on our program. We are concerned right now as to the effect that the Grain Prices Stabilization Act may have on crop insurance in general, purely and simply because it creates within the farmer a feeling of security. He has security here for a price that he has not before. As a result, he does not really see the need for crop insurance in general.

Coming to the last part of your question, sir, we are moving into a more affluent economy in agriculture and this is reflected in this table.

The year 1975 is not there. We hope, and I say "we hope," because I think there is good reason for it, that we will probably reach close to 20,000 contracts. At the moment we are in the neighbourhood of 19,000, which is a marked increase over 1974, when we had roughly 14,000. The need for insurance is more evident to the farmer right now than it has been for a long time.

The Chairman: What percentage of farmers in Alberta would be covered?

Mr. McKay: I am not sure how many farmers there are in Alberta. That is a real problem. I believe we are close to 50 per cent now right across the board.

Senator Norrie: A few of those come from the maritimes.

Mr. McKay: Quite a few. We have many people from the maritimes.

Senator Norrie: Why do they not come from New Brunswick?

Mr. McKay: I do not know. I cannot answer that.

Senator McDonald: Mr. McKay, you mentioned that you have 19,000 contracts, but surely there are more than 40,000 farmers in Alberta. How many permit books are issued in Alberta?

Mr. McKay: This does not indicate it. When we say contracts here, we are talking about farm operations. Many times a farm operation will have a number of permit holders. So the two are not comparable.

Senator McDonald: Could you give us the insured acreage this year, as anticipated?

Mr. McKay: Our insurance year does not close until today, so I have not been able to put that information together yet.

Senator McDonald: Can you give me the number of cultivated acres in Alberta?

Mr. Sterling: About 33 million.

Senator McDonald: And last year you had 10 per cent coverage?

Mr. McKay: A lot of that would be summer fallow.

Senator McDonald: What is the general practice in Alberta now with respect to summer fallow acres vis-a-vis crop acres? What would the ratio be? Would it be one-third?

Agriculture

Mr. Sterling: It would be close to 25 per cent. Somewhere between 25 per cent and 33 per cent over the whole province. In the southern half that would not hold true.

Senator McDonald: In my own mind I am trying to get the picture of the percentage of the total acreage covered by crop insurance.

Mr. Sterling: One other thing you should keep in mind, then, is that we have to add crop insurance and hail insurance together, because some farmers prefer hail insurance. I am not questioning their decision. As a matter of fact, if I were in their shoes I think I would do the same thing.

Senator McDonald: That again would depend on the area of the province.

Mr. Sterling: Right. There are some overlaps. Some farmers have both. But we have far more if you add those with crop insurance to those with straight hail insurance.

Senator McDonald: You administer the hail insurance program as well?

Mr. Sterling: Right.

Senator McDonald: Then who are your agents? You have the same agents for hail as you have for crop insurance, I presume.

Mr. McKay: Mr. Chairman, in our crop insurance program this year we switched to a system of using an area office concept. We sell all our crop insurance from the area offices. There are 52 offices throughout the province. Each is staffed by a clerk. Working out of these offices are paid field people who sell crop insurance to the farmers and serve the farmers' needs with respect to crop insurance. Our hail program is still being sold by commissioned agents.

Senator McDonald: But for crop insurance you have your own field organization which is responsible not only for the sale of crop insurance but for the inspection as well. Is that correct?

Mr. McKay: It is not necessarily the same people. Some of the same people sell it and inspect the crops.

Senator McDonald: But they are all your people.

Mr. McKay: They are all our people, that is right. They work on a *per diem* basis.

Senator McDonald: They are not civil servants?

Mr. McKay: No. They work for the corporation. It is a crown corporation, but none of us are civil servants.

Senator McDonald: So many of these people would be part-time employees?

Mr. McKay: Very much so. I suspect that if they put in 50 to 100 days per year that would be all the work they would get.

Senator McDonald: You say you have 52 outlets.

Mr. McKay: We have 52 offices. That is right. We felt strongly that we were not serving the needs of farmers as well as we should in terms of service to their contracts. The commission agent system we had before was not good, because once the agent sold the insurance he lost interest rather quickly. By establishing these offices in each

municipal jurisdiction, we enable farmers to receive quick answers to questions and to have claims processed much more quickly than was possible before.

Senator McDonald: You have one office in each municipality, then.

Mr. McKay: Roughly. Some of them are in improvement districts, but they are in municipal districts generally. That was the primary objective.

Senator McDonald: When you sold through agents before, you had the problem of a separate and distinct inspection.

Mr. McKay: Right.

Senator McDonald: Were they your own people?

Mr. McKay: No. They were commissioned people. They were under contract to us, but we did not dictate where they went or what they did, as is the case now.

Senator McDonald: They just came in, did the job for you and disappeared again?

Mr. McKav: That is right.

Senator McDonald: They had no continuing contact with your policyholders, then?

Mr. McKay: They had certain responsibilities and some had more contact than others, but there was a definite weakness in that system.

Senator McDonald: Does your present type of organization tend to encourage more farmers to accept crop insurance than previously?

Mr. McKay: We think so. It is one of the largest reasons, we suspect, for such a marked increase in coverage in 1975. We are getting to more farmers and supplying them with better service. They therefore feel we are out to help them more than in past years.

The Chairman: Just dealing with wheat, since it is a key commodity, I note that certain doubts have been expressed as to whether it is wise to go from a maximum of \$2.25 per bushel to \$3.50 per bushel, in that if the \$3.50 option is provided, many farmers, for whatever reason, will drop back from 70 per cent coverage to 60 per cent coverage. Have they, in fact, been doing that, or have they been taking the greatest amount of protection they can get?

Mr. McKay: Mr. Chairman, I have some figures here. It is difficult to answer your question as such, because all farmers think differently. We do have a pattern here. If we look at 1974 as compared to what we have so far in 1975, it might give you some indication. In 1974 under wheat we offered two levels of coverage: 60 per cent and 70 per cent levels. That is long-time average yield. In 1974 roughly 60 per cent of our farmers selected the 60 per cent level. The remaining 40 per cent took the 70 per cent level.

But then you find a switch. Once they got into selecting price options, only 25 per cent selected the lower price option while 75 per cent took the higher option. So they switched. When they are talking about bushel coverage they seem to take the low level, but when they are talking about price per bushel, they take the high level. I cannot explain this.

The Chairman: If they do that, and it seems they are doing it, then it would suggest to me that very few of them

are farming simply to get crop insurance, because they will be farming for the best possible yield. What they are saying is that if they get a real disaster they want 60 per cent insurance at the higher price per bushel. People say that if you give them too big a coverage they are going to neglect their fields and they are going to farm for crop insurance. But in my own view the 70 per cent coverage, which is a maximum, in your province and in some of the other provinces is by itself a pretty good insurance that the farmer is not going to go out and deliberately fail to do the job he should be doing, simply to collect crop insurance. You do not have to have a penalty by way of only a 70 per cent coverage and a further penalty by allowing the farmer to insure what might only be two-thirds of the market value.

Mr. McKay: I think, Mr. Chairman, we should issue a word of caution here because these price options which we have offered our people in 1975 and which are listed here on page 6-this last list-gives us a little bit of concern. I say that because once the market price drops below our guaranteed price, then we are in trouble. This is purely because of the farmer's interpretation of what we are trying to do for him. He likes to look at the market price and say, "Well, they are going to guarantee me that much per bushel for all the bushels that I can grow." This is not what we are saying. We are saying that we guarantee that much for all the bushels that he is short of his guarantee. Those are two different things. So once the market price drops below our guarantee-say that wheat were to drop to \$3-the farmer says, "Well, I could not get \$3.50 for mine, so I want this made up," and he is unhappy with us and in many cases we have had cancellations of the contracts because of this misinterpretation.

The Chairman: This is something I find difficult to understand because I do not think that the farmers are that dumb—but maybe some of them are.

Mr. McKay: Well, this has been our experience, but I think we are gradually overtaking it. Now we talk of our guarantee simply in terms of bushels; we will not talk in terms of dollar values because as long as we do that we keep the picture clear.

Senator McDonald: One of our farming friends indicated earlier—and if I misunderstood this I hope I shall be corrected—that the average crop of wheat in his area, or in some area, was 23 bushels per acre. But a farmer who goes all-out and uses a lot of fertilizers and wheat sprays, and who does a good job, then his average may be 40 bushels per acre. Now if he can only carry 70 per cent of 23 bushels while his average crop is 40 bushels he really does not have much protection, does he? He only gets 70 per cent of 23 bushels per acre when he loses a 40-bushel per acre crop.

Mr. Sterling: I think the 23 bushels represents the 70 per cent.

Senator McDonald: But he only collects 70 per cent of the 23 bushels.

Mr. Sterling: No, no. The 23 bushel figure is the 70 per cent. In other words, the average yield in that area is 30-something bushels of which he collects 70 per cent.

Senator McDonald: Oh, I see. Does the Crop Insurance Board have to accept a contract?

Mr. McKay: No, and it is written into our act that we can exclude a farmer for various reasons such as poor farming

practices or fraud or things like that. It is a difficult thing to administer, but we are reasonably firm on this, and we have to be.

Before I sit down, there are a couple of points I should like to clarify here, Mr. Chairman. I think Mr. Sterling misunderstood you with regard to our hail insurance rate. The rate as developed under the hail endorsement is this; if the rate were 10 per cent in a given township, then because the federal government's share is 50 per cent of the farmer's premium, that means that it is reduced down to 5 per cent, and then because the province pays the administrative costs of that program we consider we can reduce it some more and we offer it to the farmer for 40 per cent of the going rate. I do not think Mr. Sterling quite understood your question.

Another question came up with regard to the wildlife damage fund and somebody asked as to how we define wildlife. In Alberta, and for the purpose of this fund, wildlife is defined as anything that is protected by provincial or federal legislation. In other words birds or animals that are protected by the Game Act become wildlife, and the fund that we have is built up with contributions—mostly from the hunter who is taxed very heavily through his licence and so on—and a good portion of this goes into the fund and the province adds to it and the federal people also make a contribution.

The Chairman: I have a question at this point if no other senator wishes to take the floor. I wonder if there is any process of consultation, for example on the prairies, between crop insurance boards, that is, between your board and the boards of Saskatchewan and Manitoba? Do you ever come together and have a general meeting in which you discuss what is going on? To my mind, farming in any one of the three prairie provinces is quite similarthere are some small differences, but mainly it is quite a similar operation. In other words, as far as agriculture is concerned, the provincial boundaries are pretty much artificial boundaries and it would seem to me that perhaps once a year at an early date before you got into dotting the i's and crossing the t's of your programs, it would be a good idea of having a general conference where all the crop insurance people on the prairies could come together and discuss their experiences and recommendations and so on. This might lead to better insurance programs in each of the provinces and it might also lead to more uniform programs. Now you may have this system of consultation already, and if so I would like you to tell us about it.

Mr. Sterling: Well, we talk to one another, let us put it that way.

Mr. McKay: We do get together quite a lot. James Campbell in Saskatchewan and Hayden Totin who is general manager of the Manitoba corporation—we talk together quite a lot, sometimes once a week. We do get together periodically and we try to do this on a board level at least once a year. Now I think we have slipped a little there because we have not been together for a little over a year, but we try to do it anyway, to discuss common policies. Nationally we get together every second year across the whole country and Mr. Gorrell and I were just discussing it here because we are on a committee to arrange a program for all corporations in Canada, and it is proposed that this group will meet in Alberta this coming November, and all the provinces we hope will participate there. This happens every second year.

The Chairman: It would seem to me that if you could have some more formalized meeting, maybe once a year in the prairie provinces, that this might serve a very useful purpose. Do you think that might be right?

Mr. McKay: We would agree with that.

The Chairman: The representatives from the three provinces plus the representatives from the federal government and just to have a general study session and decide what your experiences have been and to put forward your ideas and, without any arm-twisting or anything else, it might lead to better programs in all provinces and perhaps more uniform programs which I would think, from a farmer's point of view, would be desirable.

Mr. McKay: I think we would agree, and we usually include the British Columbia group because of the Peace River bloc.

The Chairman: Yes, I would recommend that British Columbia be in there because of that area where the agriculture is quite similar to that on the prairies.

Senator Norrie: I have two or three questions to ask. The first one has to deal with table number 2 here, where it mentions unseeded acreage. Could you explain that? I cannot see why you would want to insure unseeded acreage. It is a list of crops, and everything that is insurable.

The Chairman: This is in our own submission?

Mr. Hallowes: Unseeded acreage?

The Chairman: This is from Mr. Chambers. This is our own research. At least I believe it is from him. I do not know where the table is from. Senator Norrie, if you could just quote the figures that are there they could probably give you some answers.

Senator Norrie: Ontario, 71; Manitoba, 68; Saskatchewan, 74; Alberta, 75; the other provinces nothing. What does that mean?

The Chairman: Those are the dates of introduction. That is what it says at the top of the table. I presume those are the years in which insurance was provided for those various crops.

Senator Norrie: But what is the unseeded acreage? What does that refer to?

Mr. Glenn M. Gorrell, Director, Crop Insurance Division, Department of Agriculture: Mr. Chairman, honourable senators, I think this unseeded acreage is a benefit that comes under the federal act, under the term, "extended coverage". It is a section of the act, and it is an extension to crop insurance. The provinces that are listed there have introduced this coverage as an extension to their basic crop insurance program. Manitoba's was in 1968, I believe; Ontario, 1971; Saskatchewan, 1974; and Alberta has introduced it as a feature of their all-risk crop insurance program for 1975.

This is a compensation to farmers who are unable to seed land because of adverse weather conditions at seeding time. Normally this is due to excess moisture in the spring.

Senator Norrie: Oh, yes. I saw that before.

Senator McDonald: It is on page 8 of your brief.

Senator Norrie: I saw that before, but I could not understand the expression "unseeded acreage". I cannot under-

stand why New Brunswick has turned down all reference to insurance. Is it a provincial problem? Is that why they have never accepted it?

Mr. Gorrell: Yes. That table that you are looking at there probably does not show New Brunswick. New Brunswick only became involved in crop insurance in 1974, on a very limited scale. They started with their spring grains, their apples and their strawberries, and have extended it for 1975 to potatoes. I believe that New Brunswick should be included for those three crops for 1974. Their spring crops are wheat, barley and mixed grains.

Senator Norrie: Well, it is not here, anyway.

Mr. Gorrell: It is not?

Senator Norrie: Well, not on this sheet. Another point is, when does hay become insurable? I mean, when does it become bad?

Mr. Gorrell: When does hay become bad?

Senator Norrie: Yes. That is, when does it become insurable and get an insurance payment?

Mr. Gorrell: Well, to start with, the province must have a hay insurance program before there will be any coverage at all. At the present time Ontario has a hay program, Quebec has a hay program and Manitoba has just introduced an experimental hay program. Several other provinces are looking at it for the very near future, including Alberta and Saskatchewan. Some of the maritime provinces are also looking at it for the very near future. This is a provincial decision, however, and to date the other provinces have not seen fit to introduce one.

Senator Norrie: That is what I wanted to know.

Senator McDonald: Would one of the main reasons for loss of a hay crop be drought?

Senator Norrie: Not down our way.

Mr. Gorrell: Well, it could be if you are talking about the prairies. It is probably the other extreme in certain parts of the country.

Senator Inman: It is wet weather.

Mr. Gorrell: That is what I say. It is the other extreme in other parts of the country.

Senator Norrie: It is the degree of the hay?

Mr. Gorrell: That is certainly a quality factor, and will very likely be one of the features of any good hay insurance program.

Senator Norrie: Thank you very much.

The Chairman: Senator Michaud wanted to ask a question. Senator Michaud is a potato grower from New Brunswick.

Senator Michaud: I did not want to interrupt the discussion on grain, Mr. Chairman, but Senator Inman, being from Prince Edward Island, and I, were very anxious to hear a few comments on potatoes. I presume, Mr. McKay, when you mentioned a while ago that there were a few farmers in Alberta coming from the maritimes, that they are your potato farmers.

Mr. McKay: I would not be able to answer, sir, as to where they came from. We mentioned that we are insuring

potatoes there, and I should tell you that this is the first year that we have moved into the potato program. In Alberta we have two groups of potato growers. There are the ones that grow potatoes on irrigated land-that is in the registered irrigation districts, such as the eastern irrigation district, St. Mary River, and so on-and then there is quite a sizable group that are out on dry land, mostly in the Edmonton and central Alberta area. Up to this point in time we have not been able to attract the irrigated growers into an insurance program. They always say they do not need it. They insure themselves against hail, because the tops get chopped down, and so on, but we have not been able to get them in so far. I am not saying we will not do so, but we have not as yet. However, we have made a start with the group that are on the dry land. Perhaps their risks are a little higher and a little more varied.

We probably have several thousand acres under contract for this year. Where it will end up I am not sure at the moment, but we are optimistic that we will get them all in as time goes along. I really do not think any of us from Alberta are authorities on potatoes. We are not like you folks, particularly those from Prince Edward Island.

Senator Inman: Those growing potatoes on dry land: what particularly do they insure against besides hail? Anything?

Mr. McKay: It could be drought. Their largest risk, however, seems to arise from early winters catching them before they have got the potatoes out of the ground.

Senator Michaud: How many acres of potatoes are grown, roughly, in Alberta?

Mr. McKay: I could not answer that. Mr. Gorrell or one of the others might know. How many acres of potatoes in Alberta? Do you know?

Mr. Gorrell: I am sorry. I do not have an answer to that.

Mr. McKay: I am sorry. I do not have that information. If you like, I will see that you get it.

Senator Michaud: Well, it has nothing to do with insurance, actually.

Senator McDonald: What is the insured value of the potato crop?

Senator Michaud: I do not know. We are just starting this year. Mr. Gorrell might know something about it.

Senator McDonald: What is your insured value for potatoes?

Mr. McKay: I do not have that with me. Perhaps I have, though. I should have it.

Senator Michaud: Prince Edward Island would have figures on that.

Mr. Gorrell: It varies with different provinces. I know New Brunswick has an option of 2 cents per pound, or $2\frac{1}{2}$ cents per pound.

Senator McDonald: That is New Brunswick.

Mr. Gorrell: That is New Brunswick. I think I have the figures here now, thanks to Mr. Chambers. Prince Edward Island is using, in 1975, 2 cents, 2.2 cents, and 2½ cents—three options. Alberta is using 2 cents, 3 cents, and 4 cents per pound. Manitoba is using 1.4 and 1¾ cents per pound. We therefore have quite a variety here.

Senator Michaud: Is there anything on Quebec?

Mr. Gorrell: Quebec is using 1.8, 2 cents, and 2.4 cents. Ontario is using 1.8, 2.1 and 2.4.

The Chairman: If you want to grow potatoes, go to Alberta. Also wheat.

Mr. Gorrell: If you want to collect insurance.

Senator Michaud: Have you got some more room for potato growers up in Alberta?

Mr. Gorrell: Lots of room.

Senator Molgat: Some of the features that you hear of, such as assisted premium rates for higher risk areas and snowed under protection: are those available in other prairie provinces, do you know?

Mr. McKay: No. I do not think they are, just in that form. I think Alberta is the only one that subsidizes premiums beyond a certain level. Does Manitoba subsidize basic premiums?

Mr. Gorrell: No.

Mr. McKay: They did at one time.

Mr. Gorrell: No.

Mr. McKay: The answer then is that is the only province we know of where is a subsidy from the province.

 $\mbox{\bf Mr.}$ $\mbox{\bf Gorrell:}$ Newfoundland has a subsidy from the province.

Senator Molgat: That is a subsidy for special areas.

Mr. McKay: I am not familiar with Newfoundland.

Senator Molgat: But in your case, in Alberta, what is the position?

Mr. McKay: Supposing the basic rate, to keep the program sound, were 12. The farmer has to pay 6 to start with, then he pays half of what is left, so he pays 9, and the province pays 3. This is the way it works.

Senator Molgat: Your rates vary by region.

Mr. McKay: Yes.

Senator Molgat: I was looking in your documentation here for your rates, but I did not find them.

Mr. McKay: We do not have a rate schedule with us. We have 11 risk zones.

Senator Molgat: These are the ones listed in your page 4 table.

Mr. McKay: Yes.

Senator Molgat: Your loss experience by areas.

Mr. McKay: Yes. The rates vary in all of those. Some might be quite close and others not. Our experience in the far north is rather bad. If you were to try to put your finger on the true rate there of what it costs us to operate, you are probably looking at something close to 20 per cent, and the farmer cannot pay it. As a result, that is why the province comes in in these higher rate areas. In the south and in the central, the rate would probably average in the neighbourhood of 4 per cent. So there is no need for subsidy there.

Mr. Sterling: We should point out that if the rates change another area could be under subsidy than is under it now.

Mr. McKay: That is right.

Senator Molgat: How often do you adjust your rates?

Mr. McKay: Every year.

Senator Molgat: According to experience?

Mr. McKay: We take the experience of that risk zone for the whole year and we recalculate the whole thing. We work on a 25-year experience for rates and a 10-year experience for coverage. On this 25-year, we drop a year and add a year and calculate on that basis. It is done every year.

Senator Molgat: Thank you.

The Chairman: Are there any questions?

I myself as a farmer would be anxious to have the \$3.50 rate in Saskatchewan. But you can put forward arguments against a high rate because you can say the market may be coming down and it has already been said this morning that it is. I do not think it is coming down that far but that is just my opinion. Some farmers might neglect to do in things they should do because they might feel that they can gain by having a crop failure. That is at least a possibility.

You probably have not thought of this and maybe it is a screwy idea but it may be something one can think about. Would it be possible or feasible to put in a new option, a different option? Let us take wheat sold by the Wheat Board. Generally speaking everybody gets the same price, except that the known price is at a later time.

Might it be possible to put in another option, to say that the farmer will be insured at market value of wheat, or at the realized market value, or a percentage of the realized market value. I can think of difficulties already. You would not know what precisely the final premium would be, the final adjustment would take place at a distance in the future. But to me there would be a good deal of equity in something like that. It would ensure the farmers' insurance on the basis of what the product is worth, not on the basis of somebody's guess of what the product might be worth. You might have to wait to decide what the total premium would be for a year or two. It would seem to me that that might be at least a possibility.

Some people may be afraid that this was going too far. I would not necessarily agree with this, but the conservative people who really want to be super cautious, might say insure 80 per cent of the final realized price, so if some insure 70 per cent of yield and 80 per cent of final realized price, surely no one is going to fail to do the things, in order to get coverage.

To my mind, that would bring a whole lot more equity into the picture than without such an option. It would have its problems, but everything we have got here was a kind of wild idea at some time, with somebody, somewhere, and it took this country a long long time to come to crop insurance. I can remember royal commissions reporting on crop insurance and the conclusion was that it cannot be done in Canada. But circumstances show it can be done.

Mr. McKay: Mr. Chairman, is that a question?

The Chairman: Sure, to anybody?

Mr. McKay: I am speaking purely my own views here. This is not the board or provincial view at all. I think you have your finger on a real problem. When the farmer looks at us as an insurance corporation, he feels that he is entitled to look at not only for yield but also for generalized income. We try to relate the two through bushel coverage and dollar value. We are not always too successful, as you well know. Whether it is feasible and whether it is acceptable politically, and so on, I do not know. This is beyond my field. It seems to me to be a sensible thing that, if the package is ever going to become complete to the farmer, then probably there should be some guarantee as to price. I know this is in direct opposition to proposed legislation under the Grain Prices Stabilization Act and all this, but I know-and I think my board supports what I am saying-that this is a complete package and that they can see some merit in the stabilization and so on taking place at the crop insurance level. But this as you say is probably away down the road. Nevertheless, it does seem like a sensible approach. I know that other provinces will look at this differently and political groups will look at it differently. From our point of view, without any political bias whatever, it looks sensible if probably somewhat unrealistic.

Mr. Sterling: The main problem I see in giving that type of a price which is established somewhere in the future, would be the administrative problem, in setting the premium, collecting the premium, as everything would be six months or it may be a year later.

The Chairman: I would think you would be billing the farmer for the extra amount of premium at a later time. I have talked this over with people and they say that a lot of farmers will not pay that extra premium on their bill. I think that if they signed an agreement and that they are prepared to have this kind of a premium levied against them for this kind of cost, 99.9 per cent of the farmers will pay when the time comes.

If a man had a good crop and did not get any payment, and then a year later the crop insurance people sent him a bill for \$500, I do not think that is too serious at all. He got his crop a good price for it, we suppose. Anyway that is certainly one of the difficulties.

Senator McDonald: On the type of change you are thinking of now, is there a possibility that crop insurance could become a grain stabilization or an agricultural stabilization? Can it grow to that extent where a crop insurance program can become a stabilization program for agricultural producers no matter in what part of Canada?

The Chairman: I certainly cannot answer that. You should ask yourself that question. There probably would have to be some input from the Treasury in such a program under particular circumstances.

Senator McDonald: There is input now.

The Chairman: There might have to be some emergency input or something like that. That is one of the purposes of our committee.

Senator McDonald: Was it in your mind that this crop insurance program could be developed to that point?

The Chairman: I would think that it could be developed to some extent but also on the basis of reality and equity and fairness. The way it is done now, everyone is gambling. Someone says the price of wheat is going to go down,

some say \$2.25 might be too high. Someone else takes an optimistic point of view and there are great authorities who think the opposite point of view, and Alberta is taking it, that \$3.50 is not too high in relation to what the market is making.

Mr. Hallowes: I think you will always find a place for crop insurance, because the stabilization is for the whole three prairie provinces, but the crop insurance is individual. You can have a stabilization program in one province and one province can have a complete wipe-out and the other two provinces have a bumper crop but under the stabilization program, as I understand it, no one gets paid. Under crop insurance you are getting covered individually. I think there will always be a place for crop insurance so that you are covered individually and you are not under a stabilization program depending on the whole province or the whole area.

Senator McDonald: It has always been my opinion, right or wrong, that the best programs are those on an individual basis. When there is a general program covering a whole province or all of the Prairies, some people take a licking and others make money. The only way to be really fair is to put it on an individual basis. I know it is much more difficult to administer and far more difficult to draft the legislation on that basis. Sometimes I honestly wonder if it would not be possible to develop a crop insurance program that would do the job they are seeking to do under the stabilization bills.

Mr. Hallowes: I agree, because under the stabilization program some farmer in a small pocket might have terrific crops while all those around him might have poor crops. But the person with the really good crop is only going to get as much pay as the person with nothing.

As I understand it, the stabilization programs are now going to be taking in the three Prairie provinces as a block. Then one province could have a wipe out and the other two have bumper crops, yet the stabilization program will not make any payments. If the stabilization could be worked in with crop insurance on an individual basis, it would be much fairer.

Senator McDonald: I do not know whether it would work or not, but it would seem to be worth looking at.

Mr. Christie: Honourable senators, I think the original proposal came from Saskatchewan or Manitoba. We have endorsed it. We will be making a further study of this at our conference in November to see whether it might be acceptable or feasible. One problem we will deal with is this: Suppose a crop was not marketable, then what would you do? If the crop is marketable and is sold, the thing can be worked out sensibly and easily through the boards we have now. I think the problem of the unmarketable crop is the one which will take the most study.

Senator McDonald: What conference are you referring to as taking place in November?

Mr. Christie: The national conference of all boards in Canada, which will take place in Alberta in November. Another point we wonder about is whether the stabilization program is not simply an illusion of stability. In the hog industry, for example, in this past year, because hog producers thought they would be covered and protected under the stabilization program, many of them are in deep trouble because the stabilized price was something like \$10

below the break-even level. We hope the same thing does not happen in the grain industry.

With respect to the dropout in crop insurance in 1969, and throughout that period, as Mr. McKay mentioned, the LIFT program partly affected that dropout, but that was not the only aspect to the problem. Many people accepted crop insurance in the expectation that it would be a real help. They found, to the contrary, that it was not working in their circumstances. This was especially true in areas like mine, where farmers were quite large with fairly small coverage. They made a study which indicated that over a period of 25 years in not one year would they have collected. They felt it was wrong and as a result they were dropping out.

However, the increase in coverage and the addition of the hail rider, among other things, has made the program more acceptable. We hope as we go along to make it just that much more acceptable so that every farmer feels he can belong.

Mr. Gorrell: If I may make just one comment, Mr. Chairman, I think it is only fair to suggest that if there has been an increase in recent years, as indicated on the table which shows a trend towards an increase beginning in 1973, that increase is due in large part to the contribution by the federal government.

The Chairman: Hear, hear. It went from 25 per cent to 50 per cent of the premium.

Senator Molgat: That can be seen as a marked reaction by the farmer, when he looks at the total cost to him.

Mr. Gorrell: I would certainly like to think so.

The Chairman: Because his own cost has gone down by one-third, actually. The statement was made earlier that if a farmer has a series of poor crops in a given year, he will suffer a certain penalty by way of coverage. Is it not possible that a farmer might be penalized when he should not be penalized? For example, hail cannot be accounted for. That is an act of God. An infestation of grasshoppers to some extent cannot be accounted for, although the precise place of infestation can be dealt with and restricted. It seems to me you would have to be careful not to impose an injustice on anyone.

Mr. Hallowes: When we make these inspections, Mr. Chairman, we do get a report back. Nine times out of ten, when there is a crop reduction it is due to bad management. If you get a hailstorm on the spot-loss you do not get any penalty for hail.

The Chairman: So the penalty is not there, right.

Mr. Hallowes: But in most cases it is a question of poor management and poor input. For example, no fertilizers, no chemicals. A lot of farmers are not farming full-time. They are weekend farmers, you might say. Perhaps the land is not yet suitable for seeding but the farmer has only the weekend to do his seeding, so he goes ahead and seeds. He then takes out crop insurance in the expectation that if his crop comes in he will have a crop, but if it does not he will have crop insurance. We have to watch that. The only way to reduce the incidence of that is to lower the coverage.

The Chairman: Is this because somebody gives the man an adverse report, or a number of adverse reports, or is it because of the precise experience as to yield?

Mr. Sterling: It is the experience as to yield.

The Chairman: If the yield is not there, the penalty follows?

Mr. Sterling: Right. The thing which causes as much of a problem as anything is this: Here is a farmer not doing a job in a particular area and he is surrounded by good farmers. They know he is not doing a good job. So if he is collecting five out of six years or six out of seven, they feel that they are paying the shot for him. It is that kind of fellow we are trying to ease out the back door.

The Chairman: I can understand your idea. I do not object to the idea, but you should be exceedingly careful not to ease out the back door someone who just happens to have had the misfortune, say, of being infested by grasshoppers from a large adjacent pasture area. There are many circumstances that are not controllable. You can often find two good farmers farming side by side with completely different yields because or particular circumstances.

Mr. R. Wallace, Barrhead, Alberta: Mr. Chairman, honourable senators, that last point certainly bears consideration. As Mr. Hallowes mentioned, the coverage on the hail rider portion of crop insurance does affect the overall coverage. In other words, you do not go down. Alberta has been trying to bring in other areas of damage caused by acts of God. If they were brought in, I think they would fit into the same category as this. I do not speak for the board on this subject, but it would seem reasonable to assume that if they were brought in, it would be a good thing.

There are management-sensitive areas in farming, and a lot of losses may or may not have had a bearing on the inputs. But certainly there are three or four types of losses in Alberta which are acts of God or specified perils which can come within the normal growing periods but which one does not assume are going to happen. We are looking at hail; unseasonably early frost—not the normal frost period at all but the early frost which happens once in 25 years; floods, and possibly some uncontrollable outbreaks of unknown insects.

I would just like to clarify some terms here for the benefit of senators. A spot-loss is based on actual acres damaged to the extent of percentage points and paid for on this basis. Crop insurance, or course, is a bushel guarantee across the total acreage of a given crop on the individual farm. The points that Mr. Hallowes covered and the areas that we would like to get into further spot-loss on were these areas that I mentioned—spot-loss and possibly uncontrollable insects. I feel very strongly that this would draw a lot of farmers into the program and it is not asking for anything that is excessive. We do have a spot-loss type of rider on crop insurance right now, it is on hail, but none of the other uncontrollable losses are covered. Unfortunately you cannot go to a private insurance company and buy insurance for those other losses either, but you can for hail. Because of the experiences over the years I would assume that this was the reason for finding someone to back it. We have had a rate structure. The plea that we would like to put forward to the powers that be is that we have to start somewhere and why should one uncontrollable area be covered and not the other two?

Senator Molgat: Last year Saskatchewan had a bad frost loss. Is anyone compiling information on this? Is the federal government doing it or any of the crop insurance agencies across the prairies? Are they compiling information on what has happened and what the cost would be and from that how we can determine the premiums involved?

Mr. Wallace: I do not know of any straight-across-the-board study that is going on, but the plant sciences in the different provinces would be looking at it. In Alberta we are doing some work with plant sciences and we are wondering about this remote sensing with infra-red film, and whether they could establish the extent of frost from this satellite or high-altitude viewing. It does not look particularly promising right now, but it certainly needs more research and more funds to cover the field. I do not think that anybody at this point has tried even to start to establish what the percentage of loss is in the area.

Senator Molgat: Before we could go into it, this would be required information, would it not?

Mr. Wallace: I suppose it would be, but it does seem to me that it is not becoming available, so maybe the way to start it is to follow the example of the way the first hail programs were set up—use the best educated guess you can get and start it from that point on. The old mutual hail co-operative started this when they said, "We think the rate is so much."

Senator Molgat: They built up their information over the course of the years after putting the program in?

Mr. Wallace: They would have to do that, because the information was not there before. Personally I think this is the way the other programs will have to be embarked upon.

Mr. Sterling: I would like to add to what Mr. Wallace said. We are involved also with hail suppression work with Alberta—which I do not want to get into—but I am planning to attend a meeting on the 22nd of this month where we are going to do some infra-red photography to try to study frost damage and hail damage. This is only a little preliminary research run. It may not develop into anything, but it is to be hoped that we would get something started. We have no idea at the moment as to what it will develop into. I personally, and some others in the plant industry division of the Department of Agriculture in Alberta are very interested in trying to do something along these lines.

Senator McDonald: Mr. Chairman, I had an experience last Tuesday morning which might be of interest, because if it is possible to get some assistance from satellites or infra-red film it would be extremely helpful. Last Tuesday morning I left Saskatoon by air to come to Ottawa. It had snowed there on Monday and on Monday night. Now, right around the city of Saskatoon there was obviously about one inch of snow on the ground, but then flying eastward we came to an area without any really defined edges to it, as far as topography is concerned, or anything else that I could see, where there was no snow. It was perhaps an area of about ten miles across and 20 miles long, and all around it there was snow. A little further on there was another patch like that, with irregular borderlines. I thought at the time that it seemed strange that it would snow in one area and not in another. I thought also at the time that perhaps frost damage might occur in the same way. So, coming back to whether you have a stabilization program being based on a huge area or on an individual basis, it seems to me that individually is far the best because when you look at this snowstorm, exactly the same thing must happen with regard to rain, and it does. I think we have all experienced rain storms where you can run down the road and you are out of the rain and you can run in the other direction and you are into the rain. If you happen to have a

farm where it is raining, then you are a pretty lucky fellow, but if your farm is out of the rain, then the situation is quite different. It seems to me that in some years it always rains in the same spots, while refusing to rain in others. I do not know the cause of this, but if there were some way of tracking weather systems and frost and all other hazards, by means of satellites, we might find a pattern to it. Perhaps there is a real story to be told. I do not know what it is, but this particular snowstorm certainly brought home to me the situation that you find sometimes even on your own farm where one field has a better crop than another and that one area of your own farm has frost damage while another area doesn't. So, if it happens on individual farms, which it does, how much variation is there in a province, not to speak of the whole country? I see no way to track this or even to study it except from a satellite.

The Chairman: I have one further question I would like to ask and this subject was brought to my attention as recently as yesterday. I am speaking of the feeling on the part of some farm women that they are being discriminated against in the Crop Insurance Act in that they are not allowed to have an individual crop insurance policy, if the husband has such a policy. In other words, they are joint policies. In this day and age when women's rights are to the fore, some of them feel very, very strongly that if they own a piece of land they should be able to have their own crop insurance program and should not be lumped in with their husbands necessarily. I personally agree with them. I cannot see why a farm woman who owns land in her own right and who has farmed for many years, and who has done business in her own right, when it comes to crop insurance should be lumped in with her husband, whether she likes it or not.

Senator McDonald: Is this true of all provinces?

Mr. Gorrell: This is true of all provinces, and it is there for one very good reason. It is not there to discriminate against women. I will guarantee that. It is strictly an administrative problem, because there is no way on this earth that you can separate wheat from wheat. You cannot tell me that wheat came from one quarter section or from another quarter section. You cannot identify it. That is the only reason I can think of and for that reason I say there is no so-called discrimination.

The Chairman: But it would seem to me that the answer to that point is obvious. The farm wife who has land in her own name and who farms in her own right has her own storage on her own farm, and there is not any mixing. If there were, there would be an infraction of the law. And I believe that people can be honest enough that they can operate two units without doing something that is contrary to the rules and regulations.

Mr. Gorrell: I would not dispute at all that they can be honest, and I think that if it can ever be proven to the satisfaction of the administrators that the storage is there and is being used separately like that, then they would accept it. But I do not know if this really happens very often.

The Chairman: Well, it probably does not happen now, if there is no reason for it to happen.

Mr. Gorrell: It know it has always been a problem, and we have studied this in every province. We have also gone to the Americans and done the same thing, and they have

the same problem. Every state in the United States has the same problem, but everyone has the same reaction. They do not sell two contracts for husband and wife for that very reason. It is strictly administrative.

The Chairman: This is part of the federal act, is it? It is the overall governing act.

Mr. Gorrell: No, it is not part of the federal act at all.

The Chairman: Is it a decision by the province?

Mr. Gorrell: It is a decision by the provincial administrators. It is not in any act.

The Chairman: A province could bring in an innovation that would—

Mr. Gorrell: Absolutely. The privilege is certainly in the legislation.

Mr. Sterling: The other thing I would like to point out, Mr. Chairman, is this: at each board meeting we have what we call "problem files" on various problems. I think if you sat through two or three months of those problem files and saw the type of people that are involved, who try to take us to the cleaners, you would understand why we have that provision. At least it would give you a better feeling about why we have it. We do have plenty of problems. We do not have them with everybody. We know we are only dealing with a very, very small percentage. They do give us a lot of trouble, however.

The Chairman: My own view is that one province, one of these days, is going to give a woman the rights she should have, namely, to have her own crop insured, and the rest will follow soon after. Then they will all say it was a great idea.

Mr. McKay: We have many women policyholders who are operators. This is the sticker. They must be an operator. We have the same problem existing between father and son as we have between husband and wife, because when they operate from the same farmstead, use the same machinery and the same storage, there is no way that you can separate this grain; and if you give them two contracts they are in such a position that, by saying that this grain belongs here this year, and next year it belongs somewhere else, they will collect every year. This is the type of problem we face. Now we have a situation where two brothers will be in the same boat. Mr. Gorrell had his finger on it.

The Chairman: But can a wife have her own policy, separate from that of her husband, and can her husband also have a separate policy?

Mr. McKay: Provided they are both operators and the grain is separate, and so on. There is no problem there.

The Chairman: Do you then in fact have a few instances in which the wife has a policy and the husband has a policy?

Mr. McKay: Yes. We do have situations, you see, where the wife perhaps has inherited land from some other source. She may operate it by hiring workmen to do the work, and the grain is stored, and so on. Therefore she is an operator and she gets insurance just the same as if she were a man. The husband may have his own operation, and she may live there, but this does not disqualify her as long as there are two separate operations.

The Chairman: My impression was that there were no exceptions. Thank you.

Mr. Christie: Mr. Chairman, and honourable senators, some of us have been very concerned about this problem: starting out on perhaps a quarter section coverage basis, of which the hail rider, and this sort of thing, is more or less covering it, we have tried to make a study of preharvest inspections, and we sent a delegation to Sweden. They do quite a bit of this there. It is a very extensive study, and it is quite costly the way they do it. But if the time comes when we can do an adequate job of preharvest inspection, something like this would be more acceptable and much easier to administer.

Senator McDonald: The question I wanted to ask next was of you, Mr. Chairman. What other provinces, if any, from the prairie region, will be appearing before us? Or have they accepted the invitation to appear?

The Chairman: Manitoba will appear, I believe, next Tuesday at 2 o'clock. Saskatchewan has not given us an answer

Senator McDonald: Well, this document was prepared by Mr. Chambers, was it?

The Chairman: That is Mr. Chambers' document.

Senator McDonald: When I look at this document I think you had better get Saskatchewan here.

The Chairman: We have written two letters, and I was talking to some of them yesterday, but I am really no wiser as to whether they are coming or not.

Senator McDonald: I think I know why they are not coming.

The Chairman: They may come yet.

Senator McDonald: I hope they do.

The Chairman: It has been suggested by Senator Lafond, by way of a note, before he left, that it would be

wise, since this submission has been referred to so extensively, to have it printed as an appendix to our evidence for today. Will someone make that motion?

Senator Hays: I so move.

Senator Inman: I second the motion.

The Chairman: All those in favour? It is so ordered.

(For text of submission, see pp. 19-28.)

The Chairman: The time is approaching 12 o'clock. Our guests have a luncheon at that time. Do I hear any further questions?

Senator Michaud: Just one little question on potatoes again, Mr. McKay. You mentioned a while ago both irrigation land and dry land. At the time you made the comment my conclusion was that when you mentioned irrigation you meant mechanical irrigation through a sprinkler system.

Mr. McKay: Yes. Either that or flooding, where the water is mechanically placed on the land. Sprinkling is taking over now, but there is still a lot of flood irrigation going on.

Senator Michaud: Thank you. That is all I have.

The Chairman: On behalf of the committee I want to thank you very much, gentlemen, for a very excellent presentation. We are delighted you were able to come. We think your information will be very useful to the committee, and I hope that as a result of our deliberations, and as a result of further action, we may all gain some improvements.

Mr. Sterling: Thank you, very much, Senator Argue. On behalf of the board, I would like to say that we were delighted to have the opportunity to come here, and I hope some of the thoughts we have expressed will bear fruit in the future. Thank you very much.

The committee adjourned.

APPENDIX "A"

THE ALBERTA HAIL AND CROP INSURANCE CORPORATION

Presentation to the Agricultural Committee of the Canadian Senate - Ottawa - May 1st, 1975.

INTRODUCTION

Mr. Chairman and Honorable Members of the Agricultural Committee of the Canadian Senate.

The Alberta Hail and Crop Insurance Corporation appreciates the opportunity to appear before your committee and present some of its thoughts in respect to crop insurance in Alberta

In this submission we propose to briefly outline the provisions of the Crop Insurance Program as it now exists in Alberta with some suggestions as to how it might be improved. Since any changes in the program which affect its actuarial status are of concern to the Government of Canada we believe proposals in this area will be of interest to the members of this committee.

We are of the opinion, Mr. Chairman, that some background information is necessary at this time so that the problems affecting crop insurance in Alberta might be more fully appreciated.

CROP INSURANCE LEGISLATION

Federal

In 1959 the Government of Canada passed the Canada Crop Insurance Act making it feasible for provinces in Canada to set up their own crop insurance programs. This act, which has been amended several times since it was passed, sets out certain conditions which if met by a province entitles it to financial assistance.

The following are the major provisions of the Act.

- (1) Any insurance plan set up under the act must be actuarially sound.
- (2) The coverage extended under the insurance plan shall not exceed 80% of the long-term average yields.
- (3) It provides for a Reinsurance Fund into which provincial plans pay a portion of their premium income and in return are entitled to financial backing in the event of a crop disaster.

(4) The act provides for the Government of Canada to pay a portion of the farmer's premium. The agreement with Alberta calls for Canada to pay 50% of the farmers' premiums while Alberta agrees to pay all of the costs of administration of the program.

Provincial

The Alberta Crop Insurance Corporation was set up in 1964 as a Crown Corporation under the Alberta Crop Insurance Act. Provision was made for a Board of Directors to be responsible for administering the affairs of the Corporation.

In April 1969 the Alberta Hail and Crop Insurance Act was passed in the Provincial Legislature which mergered two corporations — the Alberta Crop Insurance Corporation and the Alberta Hail Insurance Board — into a single organization named the Alberta Hail and Crop Insurance Corporation. Since the merger in 1969 the Corporation has offered farmers both All-Risk Crop Insurance and Hail Insurance. The Corporation also administers the Wildlife Damage Fund for the Government of Alberta.

EXPERIENCE TO DATE

Experience has shown that each year farmers in parts of the province suffer serious crop losses as a result of conditions over which they have no control. Since 1965 when crop insurance was introduced, overall crop yields in Alberta have generally been above average, and yet very substantial indemnities have been paid. In the years (1965 to 1974 inclusive) farmers have paid \$27,006,645 in crop insurance premiums. The Government of Canada has contributed \$16,260,782 in this same period giving a total premium paid of \$43,267,427. Losses paid from 1965 to 1974 have totalled \$39,606,007 giving a loss-to-premium ratio of 91.6%.

Summary of "All-Risk" Crop Insurance Experience in Alberta
(Including Vegetable Crops)

Year	Farmer's Share of Premium	Calculated* Premium	Losses Paid	Loss to Premium Ratio **
1965	\$ 232,611	\$ 287,306	\$ 48,080	16.7%
1966	802,857	1,002,461	315,098	31.4%
1967	1,930,371	2,567,038	1,267,694	49.4%
1968	3,458,412	4,577,654	5,445,056	119.0%
1969	3,081,608	4,067,827	6,346,597	156.0%
1970	2,055,936	2,778,754	1,702,127	61.3%
1971	2,127,544	2,848,625	2,438,112	85.6%
1972	2,101,000	2,810,188	2,112,041	75.2%
1973	3,964,457	7,823,877	6,497,008	83.1%
1974***	7,251,848	14,503,697	13,434,194	90.6%
Totals -	\$27,006,645	\$43,267,427	\$39,606,007	91.6%

^{*} The calculated premium includes the Federal Government's share.

Summary of "All-Risk" Crop Insurance Participation
_____(Including Vegetable Crops)

Year	Contracts in Force	Insured Acreage	Risk Carried
1965	1,312	250,010	\$ 3,139,159
1966	4,408	990,617	13,460,213
1967	9,892	2,271,140	38,021,080
1968	15,763	3,909,820	63,949,759
1969	16,201	3,301,132	57,156,517
1970	12,862	2,306,191	31,951,257
1971	11,323	2,428,999	33,309,661
1972	10,207	2,314,840	37,074,196
1973	12,296*	3,201,411	73,136,199
1974	13,796**	3,830,963	124,866,394

^{*} In 1973, 6,487 farmers added the Hail Endorsement. A total of \$1,165,000 additional premium was paid by these farmers; \$38,793,000 risk was carried and \$762,000 in indemnities were paid.

^{**} Loss to Premium Ratio is based on total premium including the Federal share.

^{***} Preliminary Figures.

^{** 7,515} farmers carried the Hail Endorsement, paid \$3,947,674 premium, with a risk of \$70,606,858, and received losses of \$2,127,322.

Accumulated Loss Experience by Crops (1965-1973 Inclusive)

Crop**	Premium*	Loss	% Loss to Premium Ratio
Wheat	\$11,064,478	\$ 8,622,658	77.93
0ats	2,412,244	2,667,006	110.56
Barley	10,670,202	11,510,804	107.80
Flaxseed	142,796	106,771	74.77
Rapeseed	2,379,721	2,314,826	97.27
	\$26,669,441	\$25,222,065	94.57

^{*} Includes Federal contribution.

Accumulated Loss Experience by Areas (1965-1973 Inclusive)

		% Loss to
Premium*	Loss	Premium Ratio
	- Open Gazza de America de Caracido de Car	
\$ 1,198,800	\$ 626,637	52.27
2,193,154	1,335,536	60.90
184,616	95,519	51.74
2,502,059	1,865,582	74.56
5,761,653	1,507,181	26.16
2,364,261	2,500,427	105.75
468,061	551,438	117.81
1,679,802	2,581,204	153.66
4,943,944	4,275,613	86.48
502,304	752,912	149.89
4,846,179	9,067,976	187.12
13,558	37,368	225.68
11,050	24,672	223.28
\$26,669,441	\$25,222,065	94.57
	\$ 1,198,800 2,193,154 184,616 2,502,059 5,761,653 2,364,261 468,061 1,679,802 4,943,944 502,304 4,846,179 13,558 11,050	\$ 1,198,800 \$ 626,637 2,193,154 1,335,536 184,616 95,519 2,502,059 1,865,582 5,761,653 1,507,181 2,364,261 2,500,427 468,061 551,438 1,679,802 2,581,204 4,943,944 4,275,613 502,304 752,912 4,846,179 9,067,976 13,558 37,368 11,050 24,672

^{*} Includes Federal contribution.

^{**} Insurance on Flaxseed not available until 1971 and not available on Rapeseed until 1969.

REQUIREMENTS OF THE PROGRAM

1. Insurable Crops

Spring Wheat Flaxseed
Winter Wheat Mustard

Oats Mixed Grains
Barley Spring Rye
Rapeseed Fall Rye

Green Peas, Beans and Corn grown under contract for processing.
Potatoes

2. Perils Covered

Protection is provided against all the natural hazards; which includes drought, hail, frost, flood, wind, excessive moisture, snow, wildlife, insects, disease and fire caused by lightning.

Crop Insurance is not intended to cover losses resulting from neglect, poor farming or man-made causes.

3. Eligibility

Crop Insurance policies are issued to farmer operators, whether tenant or owner. Landlords are not eligible.

4. Single Contract

All land of an insured, whether owned or rented must be included in a single contract. The exception is where land is separated by 15 or more miles. In such a case, a separate contract may be issued.

5. Each Crop Insured Separately

Each kind of grain has its own guarantee and is adjusted separately. The entire acreage of an insured crop must be included.

6. Summerfallow and Stubble

Crops seeded on summerfallow and stubble have different levels of coverage. Naturally the coverage on summerfallow is the higher.

ELECTION OF CROPS, COVERAGES AND PREMIUMS

Policyholders have a choice of the crops they wish to insure, levels of coverage and insured values for each. This decision must be made prior to April 30th of each year.

LEVELS OF COVERAGE

Two different levels of coverage based on the long-term average yields for an area are offered for all insurable crops. Levels of 60% and 70% are presently being offered. An 80% level is permitted by legislation but is not being offered in Alberta at the present time.

INSURED VALUES

The following price options are available in 1975 for the various insurable crops.

CROP		INSURED VALU	ES
Wheat (Spring & Winter)	\$ 1.50	\$ 2.50	\$ 3.50
Oats	.60	.90	1.20
Barley	.80	1.40	2.00
Flaxseed	2.00	3.00	5.00
Mustard	2.00	3.00	5.00
Rapeseed	2.00	3.00	5.00
Rye (Fall & Spring)	1.00	1.75	2.25
Mixed Grains	.70	1.10	1.75

SOIL CLASSIFICATION AND COVERAGE

To arrive at levels of coverage and rates which reflect the actual experience of an area, the province has been divided into 11 risk zones.

Each of these zones is relatively uniform in cropping history and subject to the same general risks such as drought, frost, etc. Different levels of coverage are provided for each soil class and each section of land is so classified.

PREMTIIMS

In calculating premiums, the objective is to set them at a level that will cover only the losses which may be expected over a period of years. No margin is provided for reserves because of the Reinsurance Agreement which is in effect between the Province and Canada.

ASSISTED PREMIUM RATES FOR HIGHER RISK AREAS

Commencing in 1975 the Province has agreed to pay a portion of the farmer's premium in high risk areas where premium rates have increased beyond the farmer's ability to pay. This is in addition to the Federal Government paying one-half of the total premium.

This special subsidy will be one-half of that portion of the farmer's premium which is in excess of 6%.

COVERAGE ADJUSTMENT

Experience has shown that some farmers are more likely to have losses than others for a variety of reasons. To compensate for this, farmers with loss-free years can qualify for a coverage increase or bonus while the coverage of those with frequent losses will be adjusted downwards.

The upward adjustment is tied directly to the individuals good experience and may reach 30% after seven loss-free years. The downward adjustment applies only to those with three or more loss years in the latest six year period and is dependent on the loss-to-premium ratio in that period. Reductions can amount to as much as 60% of the basic level of coverage.

SNOWED UNDER PROTECTION

Beginning in 1975 special protection will now be offered to farmers who are unable to harvest insured crops in the fall because of unfavorable harvest conditions and early snow.

A payment of 25% of coverage will be made on any unharvested acreage in excess of 20% of the total acreage of that crop. This payment will be deducted from the total indemnity for that crop as calculated in the spring when harvest is finally completed. If there is no payable loss the payment on unharvested acreage will be forgiven.

UNSEEDED ACREAGE INSURANCE

Another feature added for 1975 is protection against loss caused by inability to seed summerfallow acreage due to excessive moisture in the spring. Compensation of \$20 will be paid on each acre of summerfallow, in excess of 20% of the total, that could not be seeded.

TRRIGATION COVERAGE

Crops grown on irrigated land in a recognized irrigation district qualify for higher coverage than crops grown on dry land. Coverage is set at 40% above the summerfallow coverage for the land on which the crop is grown. Where the irrigation bonus applies, drought is not recognized as an insurable hazard.

HAIL ENDORSEMENT

Farmers insuring under the crop insurance program are permitted to place a low-cost hail endorsement on their policy. This provides a spot-loss coverage against hail at a cost of 40% of the normal hail insurance rate for the township in which the insured's land lies.

Agriculture

ALBERTA HAIL & CROP INSURANCE PRESENTATION

TO

SENATE COMMITTEE

1. We now have good experience discounts on premiums and coverage increase as shown below:

Years Insured 1 2 3 4 5 6 7
Good Experience
Premium discount 0 3 6 10 15 20 25

Coverage increases 0 5 10 15 20 25 30

Also coverage reduction on policies when losses occur 3 years out of latest six as per following:

Number of Loss Years 3 4 5 6 Accumulated Loss Percent Reduction to Premium Ratio* Less than 1 to 1 Nil Nil Nil Nil 1.00-2.99 to 1 20 10 20 30 50 3.00-5.99 to 1 20 30 40 6.00 or more to 1 30 40 50 60

* Includes federal contribution to premium

2. We recommend a faster increase and decrease of coverage as per suggested table.

Loss to			Coverage Increase							Coverage Decrease			
Premium		St	ep 5	Step 4	Step 3	Step 2	Step 1	Basic	Step 1	Step 2	Step 3	Step 4	Step 5
Ratio								Coverage					
	PERCENT OF BASIC COVERAGE												
Less than	1 to 1	1	50	140	130	120	110	100	100	100	100	100	100
1.00- 2.99	to 1	1	40	130	120	110	100	100	100	90	80	70	60
3.00- 5.99	to 1	1	30	120	110	100	100	100	100	80	70	60	50
Over 6	to 1	1	20	110	100	100	100	100	100	70	60	50	50

Each loss year would move a policyholder down the table to the appropriate loss to premium ratio line and one step to the right of the table. Each year of no loss would move the policyholder one step to the left. Five years of no loss would increase coverage to 150%. e.g. A policyholder at 150% of coverage would return to 100% or basic if he had 3 losses in a row and his loss to premium ratio was over 6 to 1.

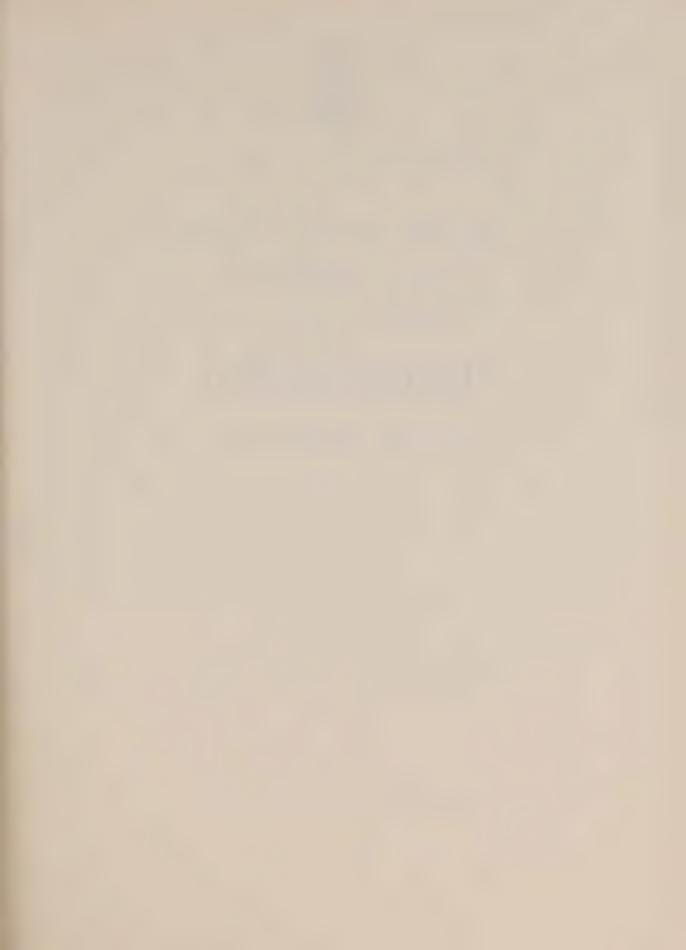
- 3. We would like spot losses, similar in principal to our hail endorsement, to cover such things as unseasonable frost damage, flood damage and perhaps insect damage. We find much more information is needed before such things as premium rates, adjusting methods, and other problems are known.
- 4. Because information regarding premium rates adjusting and other things about spot loss is lacking we are helping to promote a remote sensing research project. Results from such a project will not only apply to Alberta farmers but will be just as beneficial to other farmers across Canada. Therefore, we recommend that the Government of Canada co-ordinate and help finance this and other research projects so that information gained may result in better crop insurance coverage for Canadian farmers.
- 5. We recommend that the Federal government and/or Wildlife Provincial Departments pay farmers a Wildlife spot loss coverage on the same maximum basis as the farmer's all risk insurance coverage. e. g. If a farmer is carrying an all risk policy which gives him a maximum of \$50 per acre coverage then if this acreage is completely damaged by ducks the farmer should be paid \$50 per acre instead of the present \$25 limit per acre.

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada.









(1) 16 35



FIRST SESSION—THIRTIETH PARLIAMENT 1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman



Issue No. 16

TUESDAY, MAY 6, 1975

Examination of Crop Insurance Programs in Canada: Manitoba Crop Insurance Corporation

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman

The Honourable Hervé J. Michaud, Deputy Chairman

The Honourable Senators:

Argue, H.
Blois, F. M.
Côté, J. P.
*Flynn, Jacques
Fournier, M.
(Restigouche-Gloucester)
Haig, C.
Hays, Harry
Inman, F. E.
Lafond, P. C.
McDonald, A. H.

McElman, Charles McGrand, F. A. McNamara, W. C. Michaud, H. J. Molgat, G. Norrie, Margaret F. *Perrault, R. J. Sparrow, H. O. Welch, F. C. Williams, G. R. Yuzyk, P.—21

⁽Quorum 5)

^{*}Ex officio members

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate.

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Tuesday, May 6, 1975.

Pursuant to adjournment and notice the Standing Senate Committee on Agriculture met this day at 2:00 p.m. to examine the Crop Insurance Programs in Canada.

Present: the Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Haig, Hays, Inman, McDonald, McElman, McGrand, McNamara, Michaud, Molgat and Norrie. (12)

In attendance: Mr. Albert Chambers, Research Assistant to the Committee.

Witnesses:

Manitoba Crop Insurance Corporation:

Mr. F. Tufford, Chairman,

Board of Directors;

Mr. Michael J. Sotas,

Vice-Chairman;

Mr. Clarence Baker,

Director:

Mr. Hayden Tolton,

General Manager.

Department of Agriculture-Manitoba:

Mr. W. P. Janssen,

Deputy Minister.

Agriculture Canada:

Mr. G. M. Gorrell, Director, Crop Insurance Division.

At 4:00 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, May 6, 1975.

The Standing Senate Committee on Agriculture met this day at 2 p.m. to examine the Crop Insurance Programs in Canada.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, on behalf of us all I welcome this large delegation from Manitoba. I will ask Mr. Fred Tufford, the Chairman of the Board of Directors of the Manitoba Crop Insurance Corporation, to come forward and introduce those he has with him.

Mr. F. Tufford, Chairman, Board of Directors, Manitoba Crop Insurance Corporation: Mr. Chairman and honourable senators, we are certainly pleased to be here today to respond to your request to us to make a presentation on crop insurance. I would like at this time to introduce the members we have with us.

First, we have our Deputy Minister of Agriculture, Mr. W. P. Janssen; Mr. Michael J. Sotas, Vice-Chairman of the board; Mr. Clarence Baker, a Director; and our General Manager, Mr. Hayden Tolton.

It was with a great deal of interest and pleasure that the Manitoba Crop Insurance Board received this invitation, first, because we are very interested in and proud of our crop insurance program in Manitoba, it having become quite a successful program; and, secondly, I am always interested in the activities of your chairman, Senator Argue, who has fought many battles in the interest of Western farmers over the years. So we are very pleased to have this opportunity to present some of our thoughts to this very important committee.

I have a rather lengthy document here.

The Chairman: Honourable senators have copies. It will take less time if you go through it first, rather than discussing it before you do so.

Mr. Tufford: Thank you, Mr. Chairman.

1. Objective

The objective of crop insurance is to provide farmers with a means to protect themselves against serious financial losses caused by acts of nature. For that purpose Manitoba farmers can avail themselves of comprehensive all-risk crop insurance and of hail spot loss insurance, so that in years of crop disaster they will be indemnified for their costs of production through payments from Manitoba Crop Insurance Corporation.

2. Statistics of Crop Insurance in Manitoba

In 1974, Manitoba Crop Insurance Corporation provided coverage to 13,887 farmers, a participation rate of 66 per cent of eligible grain producers; 3.2 million acres were insured, or 38 per cent of all acres planted to crops

eligible for insurance. The participation rate was highest for sugar beets with 70.4 per cent of planted acres insured, field peas with 62.8 per cent, and red spring wheat with 42.1 per cent. Last year's total coverage of \$81.8 million and indemnity payments of \$8.2 million were all time records. Manitoba Crop Insurance Corporation's reserve at the end of the 1974/75 crop year stands at \$2.9 million. During the 15 years that Manitoba Crop Insurance Corporation has been in operation, \$26 million has been paid in indemnities for crop losses. Manitoba Crop Insurance Corporation now offerts coverage on 15 crops, and in 1975 coverage for hay production will be offered on a test area basis.

3. Program Acceptance

Although we are still a long way removed from universal coverage the above statistics indicate fairly wide acceptance of the crop insurance program in Manitoba. In the past few years, participation in terms of numbers of farmers, crops, and acreage covered has increased. This is no doubt partly due to the amendments to the federal-provincial crop insurance agreement whereby the premium contribution of the federal government was increased to 50 per cent and whereby the Province of Manitoba assumed all the costs of administration. Manitoba Crop Insurance Corporation feels that the effects of these changes have been beneficial and that further increases in participation may be expected over the next few years. Not sufficient time has elapsed to gather statistical data that would provide a reliable basis upon which to recommend further revisions in this aspect of the federal-provincial agreement.

4. Advantages of Federal-Provincial Structure

The federal-provincial agreement on crop insurance allows a fair degree of provincial autonomy in administering the program. This is necessary in order to enable the provinces to meet the specific needs of their producers. For any particular crop, growing conditions, the costs of production and the market price may differ from province to province or from region to region. These factors must be reflected in the terms of the insurance and it is therefore necessary that the crop insurance program differs from province to province. The present federal-provincial agreement provides the provinces with the flexibility they require to tailor the program to the needs of their farmers.

As noted in the 1973/74 Annual Report of Crop Insurance in Canada, the three prairie provinces which have exercised most autonomy in their crop insurance program, have the largest participation and also have the soundest financial base; the prairie province programs all have a loss ratio of less than 1.00.

Research units within the provincially operated all-risk crop insurance program provide the Board of Directors with the necessary background for policy decisions which are important to the acceptance of the program by producers, while still maintaining an actuarially sound program.

The financial contributions by the Government of Canada, the review of the actuarial base of provincial programs by the federal government, the provincial board of directors who are closely in tune with the farmers, and provincial administration and management are the key elements which account for the wide acceptance of the program; that acceptance is the best testimony for the success of the federal-provincial agreement on crop insurance.

5. Reinsurance Agreement

The Manitoba Crop Insurance Corporation feels that section 15(c) of the Reinsurance Agreement of the Crop Insurance Agreement should be reviewed with regard to establishing the rates of reinsurance premium. In the Agreement, it states that the premium rates are to be reviewed each five years with a view to amending this section, if necessary, in order to make the reinsurance schemes self-sustaining over the long term period. Section 15(c) reads as follows: "An amount equal to two and one-half percent $(2\frac{1}{2}\%)$ of the total liability under policies of insurance in force in the insurance year provided that this paragraph shall not apply if Manitoba has outstanding advances to the Crop Insurance Fund for the purposes of paying indemnities that exceed sixteen and two-thirds percent (163%) of the total liability of policies in force in the insurance." There are two shortcomings as far as this subsection is concerned, and they are as follows:

- (a) When the premiums for the current year and the Corporation reserves have been depleted, the Manitoba Government is required to pay a considerable amount out of the Reinsurance of Manitoba before the federal-provincial 75/25 percent sharing of the reinsurance fund comes into effect; should there be a number of years in which claims are made against Manitoba Crop Insurance Corporation that just exceed the premium and reserves, the province would be continually contributing, and could build up a sizeable deficit beyond the funds in the reinsurance account of Manitoba before the Reinsurance Fund of Canada for Manitoba would be called upon to share the reinsurance payments.
- (b) If the Corporation has a very heavy indemnity payment (as appeared possible in July of 1974) it is quite conceivable that the Manitoba Crop Insurance Corporation might have had to pay \$20 million in indemnities. The Manitoba Crop Insurance Corporation had \$81.8 million liability and therefore, the payment from the Manitoba reinsurance fund would have been just over \$2 million before the 25/75 percent sharing arrangement of the provincial-federal governments would commence. In other words, the Manitoba fund would be depleted to the point that there would have been about \$224,000 in the account while the federal reinsurance account for Manitoba would have stood at \$2.9 million. Without going into considerable detail, it really changes the sharing

agreement from the basis of 25 percent provincial, 75 percent federal in the case of the reinsurance account to approximately 43/57 percent sharing of the deficits. This 21 percent deductible referred to in subsection (c) was placed in the agreement to ensure that the provincial government administered a responsible crop insurance program with a certain degree of caution. It was to control the province in case there was poor administration, inadequate premium rates and also laxity in the field adjusting procedures. However, the province has shown to have responsible and sound organization, both from the standpoint of the program and the administration, and, therefore, this subsection in the agreement is somewhat harsh and could be a burden to the provincial treasury in years of disaster.

6. Spot Loss Coverage

The Manitoba Crop Insurance Corporation has offered the hail spot loss option under the all-risk contract since the agreement was amended in 1973 to allow the Crop Insurance Corporation to provide hail spot loss coverage. This option has proven very acceptable; in 1974 just over 50 per cent of the farmers insuring in Manitoba selected the hail spot loss option for a coverage of \$45.1 million and it appears that in 1975 approximately 60 per cent will be selecting this option. There is no difficulty administering hail losses on a spot loss basis because management does not enter into damage caused by hail. It has been suggested that other losses should be included in a spot loss option. However, other losses can be affected by management, such as excess moisture causing damage, spot losses from water damage due to improper or inadequate drains on the farm, late seeding resulting in frost damage, etc. The spot loss option can increase the costs of administration very dramatically and the increase in costs of administration could be out of proportion to the benefit of farmers. If it were taken to the maximum, the costs of administering the program could be greater than the actual benefit provided the farmer under the program. Therefore, caution should be exercised in broadening the coverage for the spot loss type of program.

7. The Proposed Prairie Grain Stabilization Act

Manitoba Crop Insurance Corporation and the Government of Manitoba are very concerned over the proposed Prairie Grain Stabilization Act as set out in Bill C-41. While we commend the Government of Canada for its intention to provide a greater degree of stability for the Prairie grain producers, we have serious reservations with regard to the type of stabilization program that is being proposed.

We said earlier that the objective of crop insurance is to provide farmers with a means to protect themselves against serious financial losses caused by acts of nature.

One would assume that the objective of the grain stabilization plan would be to provide farmers with a means to protect themselves against serious financial losses caused by economic events beyond their control. Indeed, Bill C-41 is being portrayed as having that purpose.

We regret to say, Mr. Chairman, that if that were the objective of the proposed Prairie Grain Stabilization Act, it could not be achieved by the measures envisaged in Bill C-41. What is more serious in our view, however,

is the fact that Bill C-41 does not have as its specific purpose the protection of farmers against losses due to economic events beyond their control. One of the most exasperating aspects of the Bill is that it is next to impossible to detect the rationale behind it, and this lack of rationale together with the extreme complexity of the Bill make any attempt at explaining this important legislation to farmers an exercise in frustration.

Yet, since the scheme proposed in Bill C-41 is a contributory plan, farmers should know what insurance they are buying; in other words, the plan must relate to the needs of individuals, and it should be possible for individuals to determine what benefits would accrue to them if the events against which they are insuring themselves should occur. That is a cardinal principle of all insurance plans, be they private, mixed private and social such as crop insurance, or universal social insurance schemes such as Workmen's Compensation, unemployment insurance, hospital or health insurance.

A second cardinal principle of all such schemes is that indemnities are paid to those who experience the ill effects of the event against which the plan provides insurance, and not to others. The proposed Prairie Grain Stabilization Act sins against both these principles; in fact it completely ignores them.

For example, a farmer who insures his crop with Manitoba Crop Insurance Corporation knows what he insures himself for; he knows to what level he will be indemnified if his yield is below the insured level. A worker who pays unemployment insurance knows what he may expect in benefits in the event he loses his job and fails to find another. This is as it should be. In contrast, a person participating in the proposed Prairie Grain Stabilization Act has no way of knowing when he will receive benefits, how much he will receive, or whether he will receive benefits when he really needs them.

Secondly, Manitoba Crop Insurance Corporation will indemnify only those insured farmers who suffered specified losses but will make no payments to all insured farmers because the overall yield in the province was below the five year average. Similarly, the Unemployment Insurance Commission will pay benefits to insured persons wno lose their job, but will not make payments to all those making unemployment insurance contributions on the basis that there is a slack in the economy. Yet that is precisely what the measures proposed in Bill C-41 purport to do.

In a nutshell, payments will be made by the Grain Stabilization Fund if the proceeds from the sale of a proportion of the Prairie grain crop in any year falls below the average proceeds in the previous five-year period, after adjustments have been made for changes in certain (but by no means all) expenses incurred in production. Participating farmers will receive payments proportionate to their contributions. Whether individual farmers actually suffered declines in receipts or income is immaterial under that plan.

If Manitoba Crop Insurance Corporation operated on that principle it could conceivably have taken the \$8.2 million paid in indemnities in 1974 and distributed them to insured farmers on the basis of their premium contributions. It is quite possible that farmers with very high yields would have received large payments and

farmers with a total crop loss would have received far less.

If the Unemployment Insurance Commission operated on the same principle as the Grain Stabilization Plan, it would calculate for all of Canada the average annual bill for wages and salaries on which unemployment insurance contributions are made, adjust it for changes in the number of unemployment insurance contributors and for certain changes in the consumer price index, and if the adjusted total wage bill fell below the average of the previous five years, the Unemployment Insurance Commission would make a payment to all wage and salary earners. Each would be paid proportionate to his contributions; those who had paid the maximum would receive most; those who had paid less would receive less, and the unemployed who had made little or no contributions would receive little or nothing. We doubt whether such a scheme to "stabilize the net proceeds from wages and salaries in Canada" would meet with the approval of the Canadian people. Yet this is precisely the method "to stabilize the net proceeds from the production and sale of western grain" that has been presented as Bill C-41 to the Parliament of Canada for approval.

Earlier in our submission we commended the Government of Canada for its intention to provide a degree of stability for the Prairie grain producers. We are appreciative of the willingness of the federal government to ask the Canadian people to set aside some \$50 million or \$60 million per year (perhaps more) to be channeled to Prairie grain producers if at some future date economic factors beyond their control cause a severe decline in receipts from the sale of prairie grains. While we appreciate the intent, and while we approve of the establishment of a Prairie Grain Stabilization Fund, we respectfully suggest that a more rational, more equitable, and more effective plan should be adopted than the one proposed in Bill C-41.

We suggest that the present all-risk crop insurance programs operative in the western provinces could be broadened to include price guarantees. Prices for the various crops could be adjusted from year to year to reflect changes in the cost of production and to protect profit margins so that net farm incomes would be kept commensurate with the general standard of living in Canada. By adding price guarantees to the present yield and quality guarantees of the crop insurance program, farmers could be offered a complete package of basic income protection.

The program could be operated by the crop insurance administration presently existing in the western provinces. With a slight addition to staff Manitoba Crop Insurance Corporation could administer a much more equitable crop and income insurance program that is envisaged in Bill C-41. It would also make it unnecessary to establish a complete new administrative organization to administer a separate western grain stabilization program.

Above all, the approach suggested by Manitoba Crop Insurance Corporation is consistent with the cardinal principles of mixed private and social insurance, that the insured knows what he is insured against and what his benefits will be, and that payments are not made at random but to those who need them.

I want to thank you very much, Mr. Chairman, for the opportunity of presenting this brief.

The Chairman: Thank you very much. Are there any questions?

Senator McGrand: I did not follow your brief closely at the beginning. Is the Manitoba Crop Insurance Corporation a government owned institution, the same as automobile insurance?

Mr. Tufford: Well, perhaps I will ask the deputy minister to answer that question. It is a little vague, as far as I am concerned. I imagine Mr. Janssen could answer that.

Mr. W. P. Janssen, Deputy Minister of Agriculture, Manitoba: Thank you, Mr. Chairman. Yes, the Manitoba Crop Insurance Corporation is a corporate body established by legislation. It is, however, different from, let us say, the automobile insurance corporation, in that the crop insurance corporation; (a) has its costs of administration totally paid by the Department of Agriculture; (b) is the result of an agreement between the Government of Canada and the Government of Manitoba to provide crop insurance to farmers. The insurance premiums, of course, are subsidized very heavily by the Government of Canada.

Senator McGrand: That is what I wanted to know. I wanted to know if the contributions made by farmers to the crop insurance program are sufficient to carry the amount of money paid out.

Mr. Janssen: No, Mr. Chairman. For instance the Government of Canada will match dollar for dollar the premiums paid by the farmers. In other words, the farmers pay only half of the premium cost of the program. Last year, for instance, the premiums were \$2.8 million paid by farmers, and a similar amount was paid by the Government of Canada. The administration of the corporation was paid for by the Government of Manitoba, and the cost was about \$1.1 million.

The Chairman: Are there any other questions at this point?

Senator McDonald: What is the rate for your spot hail insurance?

Mr. Tufford: It varies across the province by area. Perhaps Mr. Hayden Tolton would answer that question.

Mr. Hayden Tolton, General Manager, Manitoba Crop Insurance Corporation: It ranges from 0.7 per cent up to about 1.7 per cent.

Senator McDonald: Is this a percentage of the normal hail rate for a given area?

Mr. Tolton: This is a percentage of the dollar coverage that they are paying. In other words, the coverage is based on the all risk insurance that is available to them. If they have, say, 20 bushels to the acre at a dollar and a half a bushel, that would be \$30 an acre. A rate of 0.7 per cent of that would be 21 cents that they would be paying, per acre.

Senator McDonald: But does that have any relationship to the rate of hail insurance offered by private and cooperative hail insurance companies in the particular area? Mr. Tolton: This is an insurance premium that is calculated by our corporation research people and passed through our Orders in Council. It is set up on a different basis. It is set up on a risk area basis—not on a township basis—similar to what they have in the co-operative hail or the line hail companies. You see, this hail spot loss option that we are talking about is part of the all risk crop insurance program; it is not separate from it. It is subsidized by the federal government to the extent of 50 per cent of the premium, and then the Province of Manitoba covers the administrative costs on that, the same as they do with the whole all risk program.

Senator McDonald: Under crop insurance, then, with regard to your hail rate, what percentage of the premium would that be, compared to the Manitoba municipal hail insurance, if there is such a company?

M. Tolton: We have also another part to hail insurance which is completely financed by the farmers. It is calculated out, and it is just slightly lower than the co-op or line companies in some areas, but in some areas higher. It depends on our risk. This is really approximately 40 per cent of what we have on our own hail that we offer to the farmers, because of the subsidization, or the assistance, from the federal and provincial governments.

Senator McDonald: Thank you very much.

Senator Molgat: Mr. Chairman, I was wondering about the cost mentioned by the deputy minister. How much is it that the Manitoba government puts into the plan?

Mr. Janssen: For 1975-76 the budget cost is approximately \$1.2 million. That is the administration cost.

Senator Molgat: I wonder, Mr. Chairman, if we could have a copy of the report of the Manitoba Crop Insurance Corporation. An administration cost of \$1.2 million seems to me to be very high.

Mr. Janssen: Until two years ago the federal-provincial agreement called for the sharing of administration costs and sharing 25 per cent of the premium costs. Then the agreement was changed and the Government of Canada offered to pay half the premium costs on the condition that the provincial government assumed all the administration costs. Two years ago the administration costs were around \$750,000, but they have now risen to about \$1.2 million.

The Chairman: Mr. Chambers has some information in connection with what you are asking about, Senator Molgat, and at least it would give you some information on a percentage basis.

Senator Molgat: Perhaps we could ask the Manitoba group if they would supply each member of the committee with a copy of their Annual Report.

The Chairman: If there is a spare copy available we could send it out and have it Xeroxed and it could be back here in a matter of minutes.

Senator Molgat: So the situation is that at the moment the input from the province is the administration cost, which is totally a provincial cost, and the farmer does not share in that at all; but the farmer does share in the premium, and his share is 50 per cent, and the federal government pays in the other 50 per cent, is that right?

Mr. Janssen: Yes.

Senator Molgat: Can you tell me what the cost of that was last year in Manitoba?

Mr. Janssen: About \$2.8 million. That is the share the farmers paid.

Senator Molgat: So that would mean that the total was \$5.6 million?

Mr. Janssen: Approximately that amount, yes.

Senator Molgat: Can you tell me how the board of the Manitoba Crop Insurance Corporation is made up at the moment?

Mr. Janssen: There are five directors; that is to say, the chairman, who is Mr. Tufford, and four directors.

Senator Molgat: How are these people chosen?

Mr. Janssen: They are appointed by Order in Council.

Senator Molgat: Then they are government appointees?

Mr. Janssen: Yes.

Senator Molgat: So we can assume that when comments are made, as in your brief here today, on the stabilization program, those views are in fact the views of the Government of Manitoba?

: Mr. Janssen: They will be very closely in line with the thinking of the government, yes.

Senator Hays: Mr. Chairman, I think it would be helpful if the deputy minister or one of the witnesses were to explain exactly what happens when a farmer who has a section of land enters the crop insurance plan and when he has a disaster. For a long time farmers did not participate in the crop insurance plan, one of the reasons being that the federal government took the initiative and said, "We will pay this portion if the province will meet it," and so on, and the coverage was not quite right. It seems to me that there is a great deal of merit to your brief, but I rather think that there are many people, and I am sure even some members of the committee, who do not understand just what happens when a farmer insures a section of land and enters the program, what he receives—because crop insurance did take over some of the hail responsibilities in many of the provinces—and now you can insure for all risks, hail, drought and all the rest. It is, in my view, a good program, but there are many farmers who do not understand the crop insurance program. Manitoba has really taken a lead so far as the Prairie provinces are concerned, and always has done so, and I suppose they still have more people participating in the crop insurance program. But if it were possible just to go through that briefly, I think the committee would appreciate it.

Mr. Tufford: Well, Senator Hays, I will try to bring you up to date. First of all, I want to congratulate you on your perception of the situation as it has existed. It is very true that for a great number of years farmers did not see crop insurance as being for them because it seemed to cost more than the benefits at the end of the

line, and they had the feeling that it was not good enough. In addition to that, of course, we had a mixed ball of wax in Canada in that we had the PFAA conflicting with crop insurance, and farmers not really knowing where they were going in this regard. We were very pleased that the federal government discontinued PFAA and has contributed much more substantially to the premium end of the cost to the farmer of the program. and as a result of that it has been much more acceptable than it had been in the past. This is beginning to show up in the number of contracts signed in the country. But I can assure you that the farmers still have to be sold the program: we have to carry on quite an advertising campaign provincially to try to sell this program to farmers. We know it is a good plan, and the federal people think it is a good plan and they have improved it considerably. That is one of the reasons why I am so happy that this group of people decided to ask us in the talk about crop insurance because, if for no other reason, il will remind the people of Canada, and the farmers in particular, that there is something here that is worthwhile for them. A man with a section of land, then, has to be sold the program and he has to be told what it will do for him in no uncertain terms, and this is what we are prepared to do. Beyond that, I do not know if any other members of the group would want to contribute.

Senator Hays: Well, really, what I am after is this. A farmer has a section of land and he makes application. What is his coverage then? I was the one who changed the program, and when we decided to pay we overhauled the whole program.

Mr. Tufford: Each farmer is treated as an individual under this scheme, in Manitoba in particular, and his rates and coverage will be determined by the experience in his area and by his own management ability of his land.

Senator Hays: But let us say a farmer comes in and he gets 50 per cent hail, and he is covered by crop insurance. What can he expect to get if he has an average crop of—and this is the Saskaachewan average—25.6 bushels?

Mr. Tufford: You are asking now, senator, about spot loss, and he would get 50 per cent of his coverage under all risk. That is if he has 50 per cent with hail. This is part of the all risk program.

Senator Hays: But how many dollars does he get? He has a 25-bushel crop which he lost.

The Chairman: Seventy per cent of that.

Senator Hays: But what is his dollar return?

Mr. Tufford: He has a selection of three values of crop that he can take when he takes out this contract.

The Chairman: Supposing he takes the highest possible value and also supposing he has an average yield for Manitoba and he has a 50 per cent hail coverage, what money would he receive?

Senator McDonald: Could I ask Senator Hays if he would do one thing? I think we are all familiar with Brandon, Manitoba. Could you frame your question by supposing that a farmer had a section of land in Brandon

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and he wanted it covered for crop insurance plus hail? Then what does he pay, what is the average crop and what is his return?

Senator Hays: There are a number of people who are not from the Prairies and do not know about these things.

Mr. Tolton: You referred to Brandon, Manitoba, sir. This is just north of Brandon, on an average soil. I might say that the farmer would come in and request the coverage, or our agent would go to his farm and sell it. The first thing he must do is make out the application. He then has a choice of 50, 60 or 70 per cent of the average yield which he is farming. He has this selection. For instance, just north of Brandon, in what we call our risk area No. 6-and I am referring to red spring wheathe would select at the 60 per cent. He would get a coverage of 15.8 bushels per acre guaranteed of average quality, which is No. 2 Canada Western red spring wheat. Then he would also make a selection at that time of two dollar figures, \$1.85, or \$2.75 per bushel, and list his land. Then he requests hail spot loss, if he wants it at that time. Then, if he has 50 per cent during the summer of hail loss on that land and he had chosen the higher dollar value of \$2.75, he would receive \$43.45 coverage. If he had 50 per cent hail loss, he would be paid approximately \$22 for that.

Senator McDonald: Is that over and above the other part?

Mr. Tolton: No, this woud be included in it. He could never get more on our all risk program than his \$43.45. It starts out that he could be 100 per cent hailed out and would receive the whole \$43.45. So the hail is included, but he could never get under the hail spot loss more than that total.

Senator McDonald: What was the figure you gave for hail?

Mr. Tolton: If he had a 50 per cent loss he would receive \$21.75, approximately, half of his coverage. There is also a coverage adjustment factor. If he has had good experience with the corporation, he could go up to 27 per cent higher than the area average and he would be a farmer with \$55.18 coverage. So this is where we get the individual coverage into it. So there is a factor there and his premium would drop.

Senator McDonald: How many years would he have had to have been lucky, or good, or both to get into the \$55.18?

Mr. Tolton: It would be in his eleventh year. It would go up 3 per cent after the second year, per year.

Senator Hays: What was his rate of reduction?

Mr. Tolton: He would have a premium rate reduction starting at 2 per cent after one year with no loss, and it increases to a maximum of 40 per cent reduction in premium in the tenth year. It is scaled up.

Senator Hays: To carry this further, he is dried out and does not have any crop.

Mr. Tolton: Yes, he would receive-

Mr. Tufford: 100 per cent.

Mr. Tolton: He would receive somewhere between \$43.45 and \$55.18, depending on his experience previously with the corporation.

Senator Hays: What was the charge per acre?

Mr. Tolton: The farmer's share would be 96 cents. Now, if he had been in it and was in his tenth year and had no previous loss, it would have been 58 cents as the farmer's share.

Senator McDonald: Does that include hail?

Mr. Tolton: No, the hail would be in addition to that.

Senator Hays: Does it include ducks?

Mr. Tolton: Not on the spot loss basis. If there were sufficient ducks to take it below his coverage of 15.8 bushels per acre, or whatever, it would, but not on a spot loss basis.

Senator Hays: Supposing there are three farmers in the district, is this a regional average, or supposing one farmer is growing 50 per cent of wheat as compared to another who is growing 25 per cent on the same land, which often happens?

Mr. Tolton: We do not take into account the individual's average yield as establishing his coverage. It is on the basis of his experience with the corporation. Then we have an adjustment factor providing that if the farmer is a 50 bushels per acre producer he would drop below and have a claim less frequently. He would get up to 27 per cent, but we do not take it on an individual basis.

Senator Hays: But as an individual farmer he cannot get the additional coverage.

Mr. Tolton: By additional coverage, do you mean-

Senator Hays: He starts off growing 25 bushels. Do you base the 25 on the district, or region?

Mr. Tolton: Yes.

Senator Hays: You do not have spot farm averages and rebates?

Mr. Tolton: Our research works on the risk area in which the farmer is, which is an area which has a similar type of soil, cropping pattern and risk. That establishes the basic coverage, and then it increases or reduces from that, depending on his experience.

Senator Hays: Within that district?

Mr. Tolton: Within that risk area, but it does not relate to the man who gets up to 80 bushels to the acre. We are on the basis of his experience.

Senator McDonald: I believe the point we are trying to get at is if the average crop yield in a district where you set a rate is 25 bushels, then probably someone in the district is growing 50 bushels. I can see that when he enters the crop insurance program you would have to take him as average, because you do not know any better. However, if he is insured with you for 10 years and averages 50 bushels per acre, at the end of that time

can he insure for 50 bushels per acre, or only the district average of 25 bushels?

Mr. Clarence Baker, Director, Manitoba Crop Insurance Corporation: He can insure for 127 per cent of the average for the district.

Senator Hays: Just before this meeting I was speaking with Mr. Williams, who was a great champion of crop insurance. This might have had reference to Saskatchewan, rather than Manitoba, but he was telling me that depending on the history of the success of cropping there could be individual and farm coverage.

Mr. Baker: It is that way in Manitoba.

Senator Hays: But you said it was not that way and you rate the whole district.

Mr. Baker: No, we do not. If a farmer in a district had no claim on the corporation for 10 years, his premium would be reduced by 20 per cent and his coverage would increase by 27 per cent. So, on an average basis he would be given the benefit of the 27 per cent higher coverage and also a reduction of 20 per cent in the premium.

Senator Hays: So you could move that 70 per cent to 1.7.

Mr. Tufford: The farmer can elect to take either 60 or 70 per cent of his average yield and pay for it. The premiums are different. That is the way he gets credit, for good management and no claims on the corporation, by getting a discount and an increased coverage.

The Chairman: I want to ask for a comment on your spot loss coverage. We had the Alberta crop insurance people here. They gave us a brief, which I would say was as impressive as yours. They were emphasizing spot loss, the need to increase it, and the need to include, if I remember correctly, wild life, flooding and frost, anything that was an act of nature or an act of God. They wanted it broadened in this respect.

So far as spot loss coverage is concerned, yours seems to be just too careful. You are a little bit timid. You say in your brief, at page 6:

such as excess moisture causing damage, spot losses from water damage due to improper or inadequate drains on the farm, late seedings resulting in frost damage, etc.

My observation of farmers is that at least 99 per cent of them do everything they can to get their crop in on time. If they happen to have a crop that is seeded late, it is not because of bad management but because they could not do it. It would seem to me, in this section at least, that you are a little too cautious.

Mr. Tufford: Mr. Chairman, I appreciate your remarks. The board in Manitoba has taken the position over the years that we are more interested, really, in participation and getting more people into the basic coverage than we are in covering people for unreasonable returns. The original concept was to cover the cost of production. We think we are doing it, and perhaps a little better in Manitoba. Until we can get everyone driving Chevrolets, I question whether it is advisable to have some people driving Cadillacs. We could be wrong in this, but this is the position we have taken, that some of the frills that

could be included in crop insurance are costly administratively.

The Chairman: I would think that loss from hail or from wild life damage could hardly be said to be a "Cadillac" type of insurance. I would think this is on all fours with any other kind of loss. It is all to the good if you can make particular provision so that if a farmer has a 50 per cent loss from these things that he cannot control, he can get that payment, as a right, because of that thing happening, and not necessarily be tied to the average crop. Because, as we all know, with a spot loss a farmer can lose 50 per cent of his crop because of hail. He might still have an average crop. So you would have been giving him, by your spot loss hail, something a little extra. I do not think that is a "Cadillac" type of thing at all. However, that is a matter of opinion. We want to make recommendations, when the time comes, to improve and expand the act, so we are going to be looking sympathetically at those suggestions which seem to broaden and extend the act, rather than at things which cannot be done.

Senator Hays: There used to be a great concern—I think they used Manitoba as an example—that if you had a real disaster, a complete drought, the crop insurance would be bankrupt. That was 10 or 15 years ago. What has been the history of real disasters, apropos to what the chairman has said?

Mr. Janssen: Last year was the worst, so far as indemnities paid by the corporation is concerned. More than \$8 million had to be paid out. Midsummer, mid-July, it looked as if we might be heading for a complete crop disaster—late seeding followed by drought. The amount could have gone over \$20 million if the weather had not turned around in mid-August. We got off with \$8 million. It looked as if we might have to pay \$15 million or \$20 million.

Senator Hays: What would you have done in this case? You could only lose this by frost, water and drought. Those are the three disaster areas. How did you propose to deal with it?

Mr. Janssen: The reserves were about \$10 million, \$12 million. Then the fund draws on the reinsurance, of which, in the first instance, the Government of Manitoba would have had to pay a few million dollars. Then it would tend towards reinsurance with the Government of Canada. All told, we would have been able to handle \$16 million, \$18 million.

Senator Hays: That would have been along with the federal reinsurance?

Mr. Janssen: Yes.

Senator Hays: What are your reserves now?

Mr. Janssen: Just below \$3 million.

Senator Hays: That was because of the \$8 million.

Mr. Janssen: Yes.

The Chairman: The loss was still about 10 per cent?

Mr. Janssen: Yes.

Senator Hays: So 12 or 15 per cent is pretty disastrous.

The Chairman: From a provincial budgetary standpoint, let us say, after you have a number of losses, the provinces, as I understand the act—absolutely, after they have depleted everything—are liable to $2\frac{1}{2}$ per cent of the total liability. After that it is shared one quarter from Ottawa and three quarters from the provinces. So that in a super disaster, for every \$1 that the Manitoba government is paying out, the farmers will be getting \$4 or \$5. I would think, from a provincial standpoint, it is a pretty good investment, even in a disastrous year—although there may be some room to make the burden on the provinces, in a series of years like that, less burdensome or severe than it is now.

Senator McDonald: Mr. Chairman, to keep the record straight, I think you said that after the maximum loss it goes three to the provinces and one to the federal government. Is it not the reverse?

The Chairman: Yes; if I said it incorrectly, I am sorry.

Senator McDonald: What was your loss ratio in Manitoba in 1974?

Mr. Tolton: It was about 1.3. This is considering the federal and provincial contribution—1.3: one dollar taken in and \$1.30 paid out.

Senator McDonald: Mr. Chairman, I was interested in the comment made a moment ago, that the Manitoba Crop Insurance Corporation was insuring the cost. I think that is true today. But surely we must look forward to the day when crop insurance must insure income, not just cost. It seems to me that if we are just going to insure cost or losses, this is not my idea of crop insurance, especially if we were to follow some of the proposals in the latter part of your report, which deals with grain stabilization. I am one of those who have a good deal of sympathy with your proposal, that the proposed Prairie Grain Stabilization Act is an unnecessary act, in that I believe it is well worth looking into the feasibility of extending crop insurance into a program that will insure income, not just outgoings.

It would be my hope, so far as experience is concerned, that you are looking forward to the day when you can start insuring income and not just losses. The reason I am interested in your proposal, that crop insurance should be broadened, is because of the experience we have had, for instance, with PFAA. I had the opportunity of representing a constituency in Saskatchewan for a good many years, and I am almost positive that there was only one occasion during the history of PFAA that any payments were made in that area of Saskatchewan. Yet we contributed to it from its inception and until it was done away with. I do not want to see a grain stabilization plan to which farmers are going to contribute for the next 100 years and yet receive little in the way of benefits. It seems to me that the closer to individual farmers any program can become, the better. If it is administered over a whole province, it is bad enough; if it is administered across the whole nation, it is worse.

I should like to see a program, whether it is an extension crop insurance program or a grain stabilization program, where the application is concentrated in much smaller areas than, say, across a whole province, because when you have general application of any program it

works against some people and encourages others to take advantage of it.

I am not saying I am in favour of the proposals you have put forward. I would be foolish to do so, as I have only listened to you read them. I do, however, think you have put forward some interesting proposals, and I would like to see considerable thought given to them before they are either dismissed or adopted.

Mr. Baker: Mr. Chairman, Senator McDonald has covered at least half of what I was going to say, so I will not have to speak as long. Senator McDonald's feelings are, I think, on a par with most farmers' of the province of Saskatchewan. Our idea did not emanate from any particular almighty voice from above. I think it was discussed at a pool convention, and because some of our fellows knew I was with the Crop Insurance Corporation I was brought into the discussion. We talked about crop insurance and stabilization.

I think it is the feeling of most farmers that they accept the principle of paying a premium in return for a specific level of coverage in terms of the number of bushels. We accept that principle, and most farmers participate in that type of program. I think statistics show we had 13,800 participating last year, and this year it is 14,800, or something of that order. We have had a fairly large increase over the past year in the number of farmers participating.

It was felt that since farmers do accept that principle, why can we not go a step further and pay an extra premium for an accepted price? In my view, it is important that we adopt something like this, because we in the Crop Insurance Corporation could be made to look rather ridiculous. If there is a guarantee of "X" number of bushels at \$3.50 a bushel, and the world price of grain slides below \$3.50, we could have the spectacle of a farmer losing his crop and getting more dollars per acre than the fellow who picks up his bushels and sells them. We do not want to see something like that happen. We therefore hope you do not take our proposals too lightly. We think they are very important and timely.

I do not know whether these proposals are agreeable to the federal government or the provincial governments concerned. Mr. Janssen is the only one to whom officials of the Crop Insurance Corporation have spoken about this.

I think it is of vital concern to western Canada at this particular time. I thank honourable senators for their attention, and I am ready to answer any questions honourable senators might have.

The Chairman: From a Saskatchewan farmer's point of view, would there be any difficulty about having additional coverage in the way of an option where the farmer could insure his crop on the basis of the market return? In other words, it would have to be over and above \$2.75 before the extra coverage would come into effect. In the event that prices went still higher, perhaps there could be a further option by which he could pay an additional premium, the amount of which could be decided at a later date, because at some later date the Wheat Board would decide that they could make a final payment.

Assuming the wheat, as was the case last year, was at \$4.50 a bushel, he might then have an additional option to insure the market price as the market develops.

Mr. Baker: I can only say, Mr. Chairman, that any scheme we adopt should be one that the farmers will accept. I doubt that very many farmers today, even with the high price of grain and with a 50 per cent contribution by the federal government, would accept that type of premium.

The Chairman: They are doing it in Alberta up to \$3.50.

Mr. Baker: But that is only on the basis of crop loss.

The Chairman: That is what I am proposing.

Mr. Baker: I am talking about price guarantee. I suppose there is a difference.

The Chairman: Perhaps you did not understand my question.

Mr. Baker: I understand your question now, Mr. Chairman. In answer to your question, we have 70, 60 and 50 per cent coverage, and the majority of farmers opt for 60 per cent coverage. I do not know whether that is because they simply strike a middle road or whether they feel that is all they can afford. Even if we had a scheme whereby they could ensure coverage up to the market price, whatever that might be, not many farmers would participate, because the premium would have to be commensurate with the risk, and would be substantially higher than \$3.50 or, as it is in our case, \$2.75.

The Chairman: The farmers of Saskatchewan, I understand, mainly insure at the top, but I think this would apply to a good many people, especially young farmers, who have extremely high obligations, including high mortgage payments. The farmer would be liable for the increased premium only if the market price was in fact high. Had that type of scheme been in effect last year, those who suffered failures would have received much larger payments.

Mr. Baker: I can only relate my personal experience in the crop insurance field, Mr. Chairman. I have been with the corporation for 10 years and, fortunately, have never suffered a complete crop failure. For that reason, I am a preferred risk. I have coverage of 127 per cent with a 40 per cent discount. My premium for \$55,000 coverage is somewhere in the area of \$1,000 to \$1,100. If I went for 60 per cent coverage, I would be paying something around \$1,700, and if I went for 70 per cent coverage, my premium would jump to \$2,400 and my coverage to \$70,000. I am satisfied to have \$55,000 coverage for \$1,000, and I am sure many farmers have to make that judgment.

The Chairman: The suggestion I have made is that there be a further option, entirely voluntary. If a farmer was not a good manager, or simply had bad luck, he would very likely opt for the higher coverage, but it would be an option that he could either take or reject.

Senator Hays: In your dealings with farmers, is it your experience that they simply wish to protect their costs of production, or are they looking for something in excess of the costs of production?

Mr. Baker: I like the way the insurance agent in my area puts it. He says the insurance program has to be such that it will provide a reasonable return to the farmer in good years and also one that has a premium

the farmer can afford to pay in bad years. It is the farmer who has to strike the balance

I think one of the reasons we did not have the participation two or three years ago was the economic squeeze being put on the farmer. As far as the crop insurance was concerned, if he did not take the insurance he did not have to pay the premium, whereas there were many other obligations which he did not have to pay. We have had better years since then, and, as a consequence, more people are in the program. Every farmer arrives at a different decision. Simply providing an exotic type of crop insurance and charging high premiums for it is not the answer. I think we have to be realistic: we have to look at what the farmer can afford to pay, and we have to provide him with something substantial.

Senator Hays: Getting back to my question, is it your experience, from discussions with various farmers, that most farmers just want to cover the cost of production in the event of a disaster, or are they looking for something more than the cost of production and would be willing to pay a higher premium to that end?

Mr. Baker: I can only say that in the last two years attitudes have changed. Now the farmer would like to get a little more for himself and his family, but when the squeeze is on all he wants to pay for is his cost of production.

The Chairman: I think it is fair to say that when the last squeeze was on he had grain in his granary. I know the opinion of my neighbours—and I am sure many farmers held this view—was that there was really no need to spend money from crop insurance when they had two or three crops right in their yards. Those two things together, I think, discouraged people at that time from going into a crop insurance program.

Mr. Sotas, I think, wants to get a word in.

Mr. Michael J. Sotas, Vice-Chairman, Manifoba Crop Insurance Corporation: I should like to outline the crops that we insure in Manitoba. First of all, wheat, oats, barley, rapeseed, all the way down the line to hay. Secondly, there is all risk insurance against frost, drought, insect damage, cereal diseases, excess moisture, hail, plus hail spot loss option. Hail spot loss option was designed primarily for those farming a section of land; a hail storm goes through and knocks out one-quarter of their crop. Their crop is above average; they have lost one-quarter of the crop, yet when they harvest their crop they are still above the guaranteed average, so by putting in an extra 75 cents up to \$1, and less in some areas, they have extra protection in case they have a good crop that is knocked out and they get nothing in return.

In answer to Senator Hays' question, I would say that for these people who grow 50-bushel an acre crops, of whom we have some in Manitoba too, the plan is not compulsory. There is a great difference between auto insurance and crop insurance. It is not compulsory. It is all right if somebody has a big enough bank account or sufficient rich uncles. If over the years a farmer has been growing a crop, despite crop failures across the western prairies, notably during the so-called dry years, when Southwestern Manitoba was completely wiped out

for years, which can happen again—despite the fact that there has been a series of above average crops it can happen again, and any savings he may have can very easily disappear.

Now we are at the point where we have high rising costs in the input, such as fertilizer, the equipment used, the seed and the land. People are getting very conscious of it. Mr. Baker insures for \$55,000, which is the amount he needs to operate his farm and pay his taxes, without living. Suppose something happened and he got no crop at all, and had no insurance, he would be completely up against it then. By building a price into it we are hopefully going one step further.

We have a two-price system on wheat of \$1.80 and \$2.75; we have a two-price system on barley and oats; we have \$5 on flax, and \$3.75 on rapeseed and mustard, which have only the one price. Suppose somebody harvests 20 bushels. Being a farmer I am optimistic, but suppose something happens to the world market and it drops to \$2.50. He can harvest 20 bushels; he has paid a premium for \$2.75; he gets no pay out. It was brought out before that the next person could be wiped out by severe frost, severe hail, insect damage, anything, and he gets nothing. He gets paid on the basis of \$2.75 for the missing bushels, and the missing bushels are the total crop. It could work to his benefit if he has no crop and the price has tumbled. Hail spot loss is optional; crop insurance is optional.

As an option for those who think they need it, preferably young farmers who have capital costs to meet, could we for an extra option guarantee him some price, not way up in the clouds and not way down, as the market may be, although I hope it is not? Suppose we say we will guarantee him \$3 a bushel for his wheat, \$1.80 for barley, and \$1 for oats. If the price should go below that and he harvests a normal crop, then the difference between the final selling price and the guaranteed price will be made up, because he has paid a premium. That, in essence, is the gist of our presentation.

If we are really talking of stability and giving the farmer some financial return, all we are doing is guaranteeing him a yield, but some years that yield really does not give him very much, because there is no price. That fits in with Senator McDonald's concept. You are from an area that is very close to me. We are close to the Saskatchewan border and our conditions are very similar to yours. We are just west of Birtle, so the conditions are similar. That was one thing wrong with PFAA. People contributed for years and then never got a pay out.

We hope that you will give this your careful consideration, that you will look at the proposal. I know we have been cautious in our approach in some ways, but I also know that usually our proposals have been accepted by Ottawa, who pays quite a substantial portion of the premium. We want it to be viable; we want it to give protection. We think it is worth discussing, and I hope something will come of it. Thank you for your attention.

Senator Inman: I was interested in what Senator McDonald said about income insurance. I come from the Maritimes where we do not have so many different crop insurance programs. I was wondering how that would be done. How could you say what income you expected to have?

Senator McDonald: It is not for me to figure that out.

Mr. Sotas: I do not know whether I can answer it or not. Suppose you are in Annapolis Valley growing apples. I do not know how many apples you get per acre of orchard, because I am not familiar with it. Suppose you arrive at an average figure of so many tons of apples from an acre and you paid a premium to harvest so many tons of apples. The only extra thing would be an option to guarantee you not only a guaranteed volume of apples per year, but also a guaranteed price. I know apples have been a crop that has been subject to very wide fluctuations in price. If you have an option to guarantee you a price, then you have some stability for the apple grower in his orchard. I do not know whether that answers your question.

Senator Inman: Suppose a man decided he wanted an income of, say, in the Maritimes, \$15,000 to \$20,000 a year, could he insure for that much?

Mr. Sotas: I do not know. Necessity was always the mother of invention. If there is a problem, surely human minds can get together and work out a solution that will be equitable and fair to people all over the country. That is why we have insurance from Quebec all the way to the west coast, and into the Maritimes. It has been accepted by provincial and federal governments. If there is any disparity or inequality in it, it is up to the people themselves to look at the problem and update it.

Senator McDonald: Senator Inman comes from Prince Edward Island, where I think they have more potatoes than apples. Perhaps I could answer Senator Inman in this way-at least, this is my interpretation of what insuring income would be. Suppose you have 200 acres of potatoes in Prince Edward Island; it costs you \$10,000 to plant those potatoes, to put the spray on, do whatever you have to do, harvest them and put them in the bin ready to be sold. Under crop insurance at the moment you would be insured for roughly that \$10,000. Under normal circumstances you would hope that that \$10,000 would bring you \$20,000, so you would pay your \$10,000 cost, get \$10,000 to live on and do the other things in life. What I would like to see, and what I hope is feasible, is to insure, not the \$10,000 but the \$20,000 so you are insuring the number of bushels plus a price per bushel. You know from potatoes, and we know from wheat that you may have an awful lot of wheat and be pretty poor and you may have an awful lot of potatoes and be pretty poor. But you may insure the price of potatoes as well as the bushel. At least, that is what I had in mind as income insurance rather than cost insurance.

There is one question. What was the federal government's contribution in Manitoba last year? Have you that figure? What contribution did the federal government make to your program?

A Witness: It was 31.2 per cent.

Senator McDonald: This is not a relative question. What is the average amount over the years to PFAA in Western Canada?

Mr. Tolton: I should know it and we do have it, because we researched it. At one time when we were getting spot loss option, we researched it and we found

that the amount of moneys that were collected in Manitoba and the amount paid, if you channelled it into another scheme it would be a lot more worthwhile contribution, and it would give quite a bit more stability than PFAA did.

Senator McDonald: There is one question I would like to ask that concerns how you administer the program in Manitoba. Who are your agents?

Mr. Tufford: Hayden, would you like to elaborate on that? We have agents.

Mr. Tolton: We have agents throughout the province, in 17 areas. There are agencies established within those areas. They are responsible for selling our program in their area. In addition to that, we have field men who are on a part-time basis who do the adjusting.

Senator McDonald: Your agents do not necessarily do the field work?

Mr. Tufford: They do a large amount of it.

Senator McDonald: How do you get these agents? Do you go to insurance people? If you were coming into my district to set up a crop insurance district, how would you get agents?

Mr. Tufford: Generally they come up from the ranks of adjusters. Most of them begin as adjusters. At the time we need an agent, we circulate the adjusters and ask them to apply for the job.

Senator McDonald: Is there a profession of insurance adjusters?

Mr. Tufford: We have the best insurance adjusters in the country.

Senator McDonald: I do not doubt that, but where do you get them, how do you get them?

Mr. Tufford: They are farmers mostly, or ex-farmers. Wouldn't you say so, Hayden?

Mr. Tolton: Yes.

Mr. Sotas: And we train them.

Mr. Tufford: We have a training program.

Mr. Tolton: We have 18 agents and each has an office with a clerk-typist in that area. They are responsible for selling it. That is their sole work during the year. Then they do adjusting in the summertime.

Senator McDonald: In other words, they are available for any work?

Mr. Tolton: They are available for any work and they do adjusting, not only in the area in which they sell but in the adjoining agency. On top of that, we also have 93 men on call as adjusters, because these men cannot do it all. All these adjusters are either farmers or retired farmers. We have schools for them. We have had those schools already this year, where we train them to do the adjusting work for us.

Senator McDonald: Are these agents paid a commission?

Mr. Tolton: The 18 agents are on a salary basis plus a small acreage commission.

Senator McDonald: Then, how are your adjusters paid, are they on a per diem basis?

Mr. Tolton: On a per diem basis.

Senator McDonald: Thank you very much.

The Chairman: I have a further question on the idea of your income insurance. I will try to ask a question that might also apply to what they are doing in Alberta.

Would you think that insurance for wheat of \$3.50 a bushel is too high or not too high, if you consider that you would also be insuring income? In other words, is the only reason not to go as high as \$3.50 because the market might go down, or do you think that \$3.50 is just too high—period?

Mr. Tolton: I do not know whether I can answer your question or not. I do not think for a minute that \$3.50 is too high, with the rising cost of production. The fly in the ointment could be that if you pay a premium at \$3.50, naturally the farmer's amount coming is going to be quite a bit more. Then you are going to have to talk to the minister and the director, to convince them that Ottawa will match that, because every premium dollar that the farmer pays in, he pays 50 per cent and the federal government pays in 50 per cent and I do not know just what could happen.

The Chairman: Alberta has it, so Ottawa obviously agreed to it. But really my question was, you don't think \$3.50 is too high if you consider it also as income insurance? You just think that \$3.50 is too high if you take into account the possibility of a drop in the market below \$3.50.

Mr. Janssen: Mr. Chairman, if I may, the objectives of crop insurance, as we have pointed out, at the present time are limited to covering the cost of production. What we are saying in a sense is that thought is being given to introducing a stabilization fund which will collect 2 per cent of the farmer's gross sales. This will be an additional sum of money that the farmers will be asked to set aside for some future disaster. Now that this is being considered, this might be the time to consider applying something like 2 per cent and a double amount by the federal government and tie that to an income insurance plan through crop insurance. Really this is what we are saying.

The Chairman: I want to make one comment, if I may, if I can make it into a question, on your experience in Manitoba to date, a loss ratio of 0.64. To me, that says that for every \$1 that has been paid into the fund over the years by the farmers and the federal government, you have paid out to the farmers only 64 cents and that you still have in hand 36 cents. The farmers in Alberta, on the other hand, have got 90 per cent of every dollar paid in. The farmers in Ontario have done still better; they have got 109 per cent.

So my point would be that, while caution is important and having a good sound policy is important, you do not want to keep too much of the farmer's money because it is his money and the objective should be that what you take in you pay out—it is a one-to-one thing—and not brag that your pay out is only 0.64.

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Mr. Janssen: I think that is a very important observation, Mr. Chairman. It is always a mixture; it is conservative policy, to be sure. But in the second place, if we had one more year like last year, we would be at the \$1 and it would be one for one. That is what it amounts to.

Mr. Baker: Mr. Chairman, our rates are based on a 25-year average. I know that one of our board members, who is not here today, thinks the same as you do; that is, that we have a pretty healthy reserve left that will last for a bit. That will make sure our program will last longer and that the farmer gets some of that money. I suppose that, from the point of view of being generous to the farmer, that is a good philosophy. On the other hand, the people who make that arrangement insist on a 25-year average; they only pay out according to whatever money is left.

I would like to say to you that last year in Manitoba we were one week away from complete disaster. As you know, most of the crop was seeded just under the deadline of June 30. We were one week away from complete disaster, which could have wiped out our reserve, plus a lot of extra besides. So I appreciate that perhaps we are not as flamboyant as Ontario or Alberta, but we think we have a very realistic program, if you like to put it that way.

Senator Molgat: There are two items in the presentation that concern me particularly, and that was the reason I asked originally about the formation of the board or corporation. I think the statement made here regarding the Stabilization Act is important, and that is why I was questioning whether it was a matter the government viewed. Has that view been put forward to the federal Minister of Agriculture?

Mr. Janssen: No.

Senator Molgat: Has the federal government expressed that view?

Mr. Janssen: No, Mr. Chairman, it has not. We hope to make an appearance before the House of Commons standing committee, if that time arrives, however.

Senator Molgat: So far that has not been done?

Mr. Janssen: No.

Senator Molgat: Mr. Chairman, our committee should look at this item carefully, since Manitoba has come forward and made strong statements respecting the Stabilization Act. We should look carefully at what is being proposed.

Have you discussed this matter with the other provinces, particularly Saskatchewan and Alberta?

Mr. Janssen: No. As Mr. Baker pointed out earlier, it has been discussed by our crop insurance board, which has made a suggestion to myself and to our minister. I believe they have asked the views of the crop insurance corporations of Saskatchewan and Alberta, but, apart from receiving a letter of general sympathy from the board of the corporation in Saskatchewan, there has been nothing further so far.

Mr. Tufford: If I may clarify the situation a little, Mr. Chairman, we did write a letter to the Saskatchewan

board to ask if they were interested in meeting with us to discuss the effect of the stabilization bill on crop insurance generally. They replied saying that they did not think this was the time to do that. I want to assure Glen Gorrell, who is here from the federal department, that certainly in Manitoba we are not dragging our feet on crop insurance.

As a matter of fact, we feel, and have felt for some time, that there might be a conflict here which could harm crop insurance. Conceivably, it could harm participation in crop insurance if farmers found themselves contributing to too many things. Certainly, we are not going to stop because of stabilization or anything else. We are going ahead with crop insurance at full speed. We will do the best possible job we can. However, we did feel as a board that this was an opportunity that should not be missed, where a great deal of money was being assembled. When we looked at the things that could be done with that money, in terms of protecting farmers, we found that we could do it on a perfectly equitable basis if we were to protect the individual farmer rather than an area, because in so doing we were protecting the area in any event.

I would not want Glen to get the idea that we are discouraged with crop insurance. We have had good co-operation from the federal government. We have had practically everything we asked for agreed to, and it is going full steam ahead.

Mr. Baker: Mr. Chairman, I think you will notice from the chart that we are second only to Saskatchewan in efficiency of administration. We feel that for possibly a quarter of a million dollars more we could administer a price program, because all it would involve would be a couple of extra columns on our contract that the farmer would have to fill in for a price guarantee. It would also mean that there would be no extra administrative staff, because there would be need for only one visit to the farmer by the agent and by the adjuster. The \$1 million which it would probably cost to administer a program of stabilization in Saskatchewan would be much better in the pockets of the farmers. Moreover, I would hate to see another dual administration set up, because there is criticism at present, despite the fact that our administration costs are low per contract compared to the rest of the provinces. There has been criticism that in some years our administration has cost more than has been paid out to the farmers. Admittedly, that can happen. We would like to be as efficient as possible, and that is why we make this proposal, knowing that it would not increase administration costs, whereas, by its very nature, stabilization would.

Senator Molgat: Mr. Chairman, this is an interesting field to follow and I should like to commend the Manitoba group for raising the subject. I hope they will quickly follow it up with their sister provinces in the west and with the federal Department of Agriculture. The Alberta group also alluded to this, although not in as precise a fashion. I think we should take a closer look at the whole subject.

The Chairman: A slight problem that occurs to me is that grain stabilization may be promoted by one department of government while income stabilization may be promoted by another. At any rate, it is a matter our committee could look into further when it is examining crop insurance generally. Since we have our own authority to extend our inquiry related to agriculture at any time, it would not be out of place, after this particularly strong representation, to broaden our view on this to see whether it could be included in our recommendations.

Mr. Baker: Mr. Chairman, despite the fact that it is seeding time and would mean an inconvenience to many board members, I am sure that if there was any chance at all for us to impress on others our views on the matter we would welcome the opportunity to attend a meeting for that purpose.

You asked us why we did not approach the Department of Agriculture. The answer is that they did not ask us to go. Perhaps our major shortcoming is that we are not forceful enough. In light of that, we certainly appreciate having been invited to come here today, because it is the first time we have ever been asked for our opinions. We are grateful for having had the opportunity to express them. Thank you.

The Chairman: I should just like to say at large that I am rather disappointed that there has been no representation here from the press today. I think it is regretable that the press have not taken sufficient interest in the appearance of the Manitoba delegation to have someone here covering the meeting. I should have thought that at least there would have been representatives from the Canadian Press, the Winnipeg Free Press and the Winnipeg Tribune to report on what can only be described as a comprehensive, valid and important contribution. After the meeting I will bring this matter to the attention of the press.

I hope that when the delegation returns to Manitoba it relates the fact that, despite the excellence of its brief, there was no press at hand to cover its reception.

Mr. Chambers, our research assistant, would like you to give him a breakdown of the costs involved in arriving at certain insurance rates—for example, the \$2.75 a bushel. Do you consider precise costs, such as how much it costs for seed, how much for seeding, how much for land taxes, and so on? Do you go through some kind of detailed cost analysis? If so, would you have something for our records which we could have published?

Mr. Tufford: Yes, Mr. Chairman.

The Chairman: Do you want to reply briefly to the question and then give us your statistics?

Mr. Tolton: Mr. Chairman, when our rates and coverages are being considered by our board of directors each year, our research director gathers information and comes up with the out-of-pocket expenses to be covered by crop insurance. This is always presented to the board of directors so that they can get some idea of the adequacy of the dollar value which is put on as a coverage selection—I am referring to the selections that are available to the farmers. This is an exercise that goes on each year.

There was one other point that was asked about. It was related that the Saskatchewan farmers were taking the highest coverage available in 1974. In Manitoba only 13.3 per cent of the farmers selected the highest coverage that was available—that is, 70 per cent of average yield and the high dollar value—whereas, just to give you a

figure, 67 per cent of the farmers selected the 60 per cent of average yield or the middle values. They felt they were getting adequate coverage for their out-of-pocket expenses, which I just mentioned are calculated out at the time rates are set.

The Chairman: If you have any papers, you might leave them with Mr. Chambers so that we have access to them. Thank you, Mr. Tolton.

Now, we have had a very good discussion. I do not want to hurry you along. Are there any further questions?

Senator Norrie: I think it should be put in the minutes that we, the Senate committee, should have a regular yearly meeting with the farmers and discuss farming problems.

The Chairman: Are there any other suggestions or questions at this point?

Senator Molgat: I wonder if I could ask another question with regard to re-insurance? When we were discussing crop insurance way back in the fifties, that was the problem that faced us as a province. The problem was, how could we afford to go into a program like that, with the potential losses that could face us, particularly in the Prairies? Could you make some comments here? Unfortunately, I have not had a chance to read what you have said in detail, but I gather you have some concerns about the present re-insurance structure with regard to the federal government, and you do not feel it goes far enough.

Mr. Tufford: This is true, Senator Molgat. Our experience this year drew it more strongly to our attention that perhaps if we suffered losses of this magnitude over a period of years in Manitoba the province of Manitoba would be in a very serious financial situation. Federal participation in the insurance fund, as it is now set up, probably is not on the scale that was first envisaged when it was set up, and there probably should be some revision in that regard to bring the federal people in a little sooner to our rescue. Of course, that would apply to the other provinces as well.

Senator Molgat: But you would still be prepared, in the long run, to have the costs covered by the province, provided that there was no sudden risk—is that correct? That was our original objective, I think, when we approached the federal government for the re-insurance feature. We were prepared, as a province, to take care of our long term, but we could not afford suddenly to find ourselves with several million dollars' worth of risk in one year.

Mr. Tufford: I think the trigger should be advanced so that the federal government begins to contribute sooner than previously.

Mr. Janssen: I think there are, generally, two concerns that we have here. One is if there is a big disaster, as could have happened last year, and the fund, or the corporation, had been required to pay out \$15 million or \$16 million, our reserves being close to \$11 million. Then the first call is upon the re-insurance, with the province having up to $2\frac{1}{2}$ per cent of liability. After that has been paid, then the federal-provincial cost sharing of 75-25 comes in.

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The second problem that could arise is a slower depletion of the reserves, but still a depletion, so that almost with every indemnity paid, again the first call would be on the province to supply the reserves before the cost-sharing with the federal government comes in. There is this potential, you know, of a very hefty cost to the province in any particular year, or in, let us say, a short period of years. This is the area that we might want to have re-examined.

Senator Molgat: But you are not suggesting that the 25-75 formula be changed?

Mr. Janssen: No.

Senator Molgat: That formula is acceptable? It is only when it comes into effect that—

Mr. Janssen: Yes.

The Chairman: Senator Michaud was trying to catch my eye. He is our deputy chairman and our "potato man" from New Brunswick.

Senator Michaud: I just wanted to say that I listened with a great deal of interest, as I did last week, when we had the Alberta board before us. Today we have the board from Manitoba with us and, understandably, the subject was grain.

The Chairman: And other things, too.

Senator Molgat: We are a little short on apples.

Senator Michaud: I understand that next week we will have the board from Prince Edward Island, and they will probably be singing a different tune.

I would like to hear a few comments, if you have any, as to insurance on my own crop, potatoes.

Mr. Sotas: When the original crop insurance program was brought into being in Manitoba, Senator Molgat was a member of the Manitoba house, and I suppose the federal people and the provincial people thought this was going to break the province, so they had to look at a cost-sharing re-insurance program that would be within the financial capability of the province, and it would not cost Ottawa too much. This has been going on for 15 years, and Manitoba, I venture to say, has been able to administer the program quite well, and it has been acceptable. Hayden and his group have helped in some small way to pass it on to the other provinces.

I think your concern is legitimate, Senator Molgat. The time has come for some change, both in the guarantee and in re-insurance. This year we are paying \$8.2 million, and if that frost had been a week earlier it could very easily have been \$20 million, and the first portion would have been borne by the provincial government before the feds came in. We are hopeful that that could be changed. We also have to convince our provincial government that they should come on with more insurance, though they are naturally as reluctant as anybody else. Everybody—and I say this with all the emphasis at my command—has to look at it in such a way that crop insurance really becomes a useful tool for the whole of the farm economy across the country.

Just one other thing. The lady senator was talking about potatoes. I was wondering if we even insure potatoes. I am sure Hayden could give us some figures,

and that might give her some idea of how the situation works. He can give it to her verbatim.

Mr. Tolton: I cannot give you the exact figures of our potato coverage, but we have had very good participation in our potato program. It was introduced in about 1970. It has been well accepted. Acceptance has not been as good as in the case of the sugar beet program, but we have had very good participation. I was just going to look at my papers to see what the participation is, but it would be in the neighbourhood of our wheat programthat is, 40 per cent or higher. This program is quite different from our grain program because the potato growers are shipping to processing plants or are shipping to the marketing board, and their production is based on their own average yield, and they can select 60, 70 or 80 per cent of their own average yield as we obtain it from the marketing board or the processing plant. As I said, it has been well accepted. But whether this covers the premium, I would have to look that up and give it to you later because I cannot do it right at this moment.

Senator Inman: How many potato growers do you consider you have, approximately, and what is the acreage?

Mr. Tolton: We would have, I would say, in the neighbourhood of about 200 potato growers in Manitoba. I am speaking now of growers of any size. We may have a few 1-acre people who have roadside stands.

Senator Inman: But what would be the acreage—a general figure?

Mr. Tolton: I would have to go back to my literature for that, but our potato contracts are in the neighbourhood of 200 or 300 acres. They are fairly big producers. We can go down to 50 acres, but then you have some going up to 500 acres so, as I say, they are fairly large producers.

Senator Molgat: Our statistics here indicate that in 1972-73 Manitoba had 11,027 farmers covered, and in 1973-74, 13,275 were covered. Roughly how many could be covered?

Mr. Tolton: Our estimate now of those who would be eligible under the crops we are isuring now would be between 20,000 and 21,000 farmers. If we had forage crops, for instance, we would expand it at that point in time. But checking out all the statistics that we can get our hands on, it works out at between 20,000 and 21,000.

Senator Molgat: So you are covering roughly 60 per cent?

Mr. Tolton: Last year it was about 67 per cent, but we hoped it would be around 74 per cent.

Senator Molgat: That would be 74 per cent for this year?

Mr. Tolton: I would hope so. We are just at the end of our sales year, and we had 1,630—give or take a few—new contracts this year.

The Chairman: Are there any other questions or comments?

On behalf of the committee, if there are no other comments or statements, I want to thank the Manitoba delegation for a comprehensive brief. I hope that when

our report is eventually put together it will be acceptable to you, and that it will act in the interests of the farmers of Canada generally.

Thank you very much for coming. The committee adjourned.

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada









FIRST SESSION—THIRTIETH PARLIAMENT
1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 17

THURSDAY, MAY 15, 1975

Examination of Crop Insurance Programs in Canada:

Prince Edward Island Crop Insurance Agency Nova Scotia Crop Insurance Commission

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

McElman, Charles Argue, H. McGrand, F. A. Blois, F. M. McNamara, W. C. Côté, J. P. Michaud, H. J. *Flynn, Jacques Molgat, G. Fournier, M. (Restigouche-Gloucester) Norrie, Margaret F. Haig, C. *Perrault, R. J. Hays, Harry Sparrow, H. O. Inman, F. E. Welch, F. C. Williams, G. R. Lafond, P. C. Yuzyk, P.—(21) McDonald, A. H.

*Ex officio members

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committe report the result of any such examination to the Senate.

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

That question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Thursday, May 15, 1975

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 9:30 a.m. to further examine the Crop Insurance Programs in Canada.

Present: The Honourable Senators Argue (Chairman), Côté, Haig, Inman, Lafond, McGrand, Michaud, Molgat and Norrie. (9)

In attendance: Mr. Albert Chambers, Research Assistant to the Committee.

Witnesses:

Prince Edward Island Crop Insurance Agency

Mr. R. B. McInnis, Manager;

Nova Scotia Crop Insurance Commission

Mr. D. G. MacNeil, Secretary-Manager;

Agriculture Canada (Crop Insurance Division)

Mr. T. E. Pender, Area Supervisor;

Mr. René Reid,

Area Supervisor.

At 11:25 p.m., the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, May 15, 1975.

The Standing Senate Committee on Agriculture met this day at 9.30 a.m. to examine the Crop Insurance Programs in Canada.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we are delighted to have with us today from Prince Edward Island Mr. R. B. McInnis, Manager of the Crop Insurance Agency of P.E.I. Also appearing, as a representative from Nova Scotia, is Mr. D. G. MacNeil, Secretary-Manager of the Nova Scotia Crop Insurance Commission. Mr. G. M. Gorrell of Agriculture Canada, our crop insurance man, was unable to attend today, but representing him and the department are Mr. T. E. Pender, Area Supervisor, Province of Ontario, and Mr. René Reid, Area Supervisor, Eastern Canada. I have informed them that if they feel at any time they can make a contribution to the discussion we would be pleased to hear from them.

Without further ado I will ask Mr. McInnis to make his opening statement.

Mr. R. B. McInnis, Manager, Prince Edward Island Crop Insurance Agency: Mr. Chairman, honourable senators, the P.E.I. Crop Insurance Agency is a crown corporation, under the direction, supervision and control of the Minister of Agriculture. This is a rather unique situation. Most agencies or crown corporations are under the deputy minister, but when we established the agency on the Island we saw fit to work directly under the minister and it has worked out quite well.

The agency has five directors appointed by the Lieutenant Governor-in-Council. The present staff consists of a manager, accountant, stenographer and five fieldmen. Part-time adjusters are hired each fall to help the fieldmen.

Fourteen crops are now covered by crop insurance. They are, potatoes, tobacco, barley, wheat, oats, mixed grain, field peas, broccoli, brussels sprouts, cauliflower, processing peas, white beans, rutabagas and strawberries. We plan to introduce a program for fresh vegetables and corn during 1976.

Crop insurance has become a necessary way of life to our Island farmers. The cost of production is a factor which cannot be ignored. Today's farmers, if they intend to stay in farming, must cover these costs with a good insurance plan, but crop insurance must also keep pace with these rising costs and not continually lag behind, as has been the case in the past.

Crop insurance programs must become flexible and subject to quick change. The federal government, which introduced the Crop Insurance Act in 1959, must at all times be prepared to accept and introduce changes which will benefit both the programs and the provinces.

Crop insurance coverage on the Island is on an individuaal basis, that is to say, each farmer is insured on the basis of his own average farm yield. This has proven quite successful for us due to the size of our province and the small area a fieldman has to cover. The farmers in Prince Edward Island, similar to those in other provinces, feel that the coverage is too low, that unit price is too low, that they prefer spot loss coverage and feel that they do not want to lose 20 per cent of their crop before being eligible to collect insurance, et cetera. The federal legislation which limits the amount of coverage to 80 per cent of the farm yield may not be fair to all farmers, particularly in cases where a producer may lose as many as 30 acres of potatoes out of a total of 100 acres and cannot collect insurance this is the big kick among our potato growers. Due to our fluctuation of yield and as we insure a grower on a certain level, during a high yield year he can lose quite a few acres of his potatoes and not collect insurance. Perhaps the time has come to consider the implementation of a partial spot loss program to assist these particular

A new agreement is perhaps needed for the Atlantic provinces. Unlike the western provinces, when a storm hits P.E.I. it nearly always affects the total farm population. Hurricanes and frost are our big risks and they are seldom limited to small areas; as agriculture is not confined to small areas on P.E.I. but is prevalent throughout, the possibility of building up a reserve fund to take care of our storm losses in a disaster year is highly unlikely.

The following are a few of the concerns we have on P.E.I. about our present program: first, the federal government should introduce a re-insurance program for the smaller provinces. This may be asking a little too much, but it is a feeling we have. The present re-insurance program, which is in effect a prepaid interest-free loan, is not adequate to cover the losses of the smaller provinces in time of disasters. Second, interest on loans is high and the federal government should advance a reserve fund to the federal crop insurance division. This money would be used to loan to the provinces at a low interest rate. Third, compulsory crop insurance—we believe the day has come when a study should be carried out between the federal crop insurance division and the provinces regarding the possibility of compulsory crop insurance. We feel that Prince Edward Island would be an ideal province in which to introduce such a program. It is a small province and it is very easy to get from one farmer to the other. Hopefully we will go ahead with a complete study of this in the near future.

On behalf of the province of P.E.I. and my board of directors, I would like to thank this committee for the opportunity to present this brief, and hope that the interest this committee has shown here will generate throughout all Canada and that we can introduce a sound, viable program of crop insurance across our country.

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Thank you very much, Mr. Chairman and honourable senators.

The Chairman: Honourable senators, I thought with your permission we might take a few questions with respect to this brief. Following that we would hear the next brief, which is from Nova Scotia, and take questions on it. We could then carry on a general discussion with respect to the two briefs.

Senator Molgat: I wonder if Mr. McInnis could indicate the percentage of farmers covered in P.E.I. now.

Mr. McInnis: Approximately 20 per cent.

Senator Molgat: And you would still recommend a compulsory plan?

Mr. McInnis: Yes, I think a compulsory plan could be introduced quite cheaply, at a very cheap rate, because every farmer would join it. We would also have the staff to control it. At the present time one of the biggest problems is that we do not have the staff to police the plan. It is hard to say we must police an insurance program, but it really must be watched very closely. Farmers are like anyone else. When it comes to federal funds they do not mind hiding a few bushels of potatoes or grain and we just do not have the staff to fully police it. I am sure our farmers would go to compulsory insurance.

Senator Molgat: I am a little surprised at that, if they are not prepared to take it now on a voluntary basis and the plan is not changed. Only 20 per cent have taken it now, so would there not be severe resistance to compulsory insurance?

Mr. McInnis: I do not think so. I believe that basically why only 20 per cent take it is that the average age of our farmers is approximately 55. That is where our problem arises in selling insurance. They have lived through their lives without insurance and consider that they do not need it now. The young farmer can go out and borrow \$100,000 and it does not bother him a bit. However, for a farmer in the 55 to 60 years of age bracket \$100,000 to borrow is a lot of money really. That is the situation in the Island, we have farmers in the older age bracket and they are just not interested and believe that they do not need crop insurance. They are established and so on. This is why I believe that within five years compulsory crop insurance would be accepted. It would take five years to introduce this program.

Senator Molgat: The spot insurance coverage would end up by requiring a substantially higher premium, would it not?

Mr. McInnis: Yes, it would have to be.

Senator Molgat: Have you attempted to determine the type of premium which would be required?

Mr. McInnis: No, I have been scared to mention it. It has been a big factor in our potato insurance, which is our biggest insurance. The last two years have been way above the normal average yields and the farmers have lost substantial amounts of acreage and have not been able collect insurance. However, I do not really know what type of premium would be required to cover this and whether they would be prepared to pay it.

Senator Inman: Do you find that most of those potato farmers take that insurance?

Mr. McInnis: Yes, the larger farmers especially. They look at crop insurance as a business and a protection for them. They grow 400 or 500 acres of potatoes and the money they have to lay out is just tremendous. They look at it as good sound business to take insurance. They cover their cost of production as much as they can, and the premium is tax deductible. They are only paying, in a sense, about 40 per cent of 6 per cent of those premiums. It is good business for the larger growers.

Senator Inman: I know a good many of the larger growers, and I wondered.

The Chairman: What are the rates like? What does it cost per dollar of insurance, say, for potatoes?

Mr. McInnis: Three dollars for every \$100 worth of insurance. It runs from \$10 to \$15 an acre. This year you can go as high as \$350 or \$400 coverage per acre. So it would run you around \$3 or \$4 per acre for \$100 worth of insurance.

Senator Michaud: I see in your report that you have 11,000 acres, roughly, under coverage?

Mr. McInnis: Yes.

Senator Michaud: I assume that is about a quarter of your acreage?

Mr. McInnis: We only insure seed potatoes. About 26,000 acres are in seed.

Senator Michaud: You do not cover the table stock?

Mr. McInnis: Present legislation on the Island forbids a farmer to grow table stock. There is a penalty for growing table stock potatoes, but it does not stop them from growing them and the government never fines them for doing so. But there was and is on the books legislation which forbids a farmer to grow table stock potatoes.

Senator Michaud: Would you not say that your total acreage is around 40,000?

Mr. McInnis: It was 46,000 acres last year.

Senator Michaud: Would you mind repeating what percentage of that is seed potatoes?

Mr. McInnis: Last year it was as high as 36,000 acres out of 46,000. In 1973 it was about 26,000 acres out of 42,000.

Senator Michaud: You had at least 10,000 acres which were earmarked for the table stock market?

Mr. McInnis: Yes, in 1974. This year the government has changed it a little. A farmer can grow table stock with a permit from the plant protection division that he has cleaned up his premises. Rain rot is the big problem in growing potatoes. The farmer now can get permission to grow table stock. We have opened up the crop insurance this year to table stock growers too, which we hadn't done in the past.

Senator Michaud: You are going to have it for the next season?

Mr. McInnis: Yes. A farmer with a permit to grow table stock will be eligible for insurance this year.

Senator Inman: What caused the government to prohibit the growth of table stock?

Mr. McInnis: To try to clean up the rain rot disease. It did not work. The act is only good if you enforce it, and they did not enforce the act. Last year there was a major outbreak of rain rot—about 7,000 acres. This year the government and everyone else is in a real panic to get this cleaned up, because it will ruin our seed market.

Senator McGrand: You mentioned that rain rot is one of the things you are insured against.

Mr. McInnis: Yes.

Senator McGrand: Your insurance covers other things, such as flood, drought and other pests—insects, and so on. They are all covered. What percentage of the land that is farmed land in Prince Edward Island is in potato cultivation?

Mr. McInnis: In the past few years we went as high as 54,000 acres of potatoes. That would be perhaps 25 per cent of the land—what we call our potato land.

Senator McGrand: You raise a lot of cattle, and pasture is very important. If you have a severe drought and your pasture is poor, can you collect anything?

Mr. McInnis: We have no insurance for pasture or forage crops. In my time I have never known it to happen on the Island, because we get showers all summer long, really. There have been dry spells, but they have never been too severe.

Senator Inman: We also get heavy dews.

Mr. McInnis: Yes.

Senator Côté: You are not the minister of tourism!

Senator Inman: Mr. Chairman, I remember, a good many years ago—over 30 years ago—when we did not have one bit of rain from May 9 until way on in August, and we never had better crops. But we had heavy dew every night.

Mr. McInnis: Yes. You will get a heavy dew in the morning and the grass will still be wet at eleven o'clock. That is the type of moisture we get.

Senator Michaud: Is the whole of the Island considered as one single unit?

Mr. McInnis: Yes. Our insurance is all on an individual farmer basis, so that two neighbours side by side could have a different type of coverage.

Senator Michaud: How many options do you have to offer each individual farmer?

Mr. McInnis: On the potatoes we have four. Usually on most crops there are two to four options.

Senator Michaud: On potatoes particularly, if I may ask?

Mr. McInnis: On potatoes we offer 70 per cent and 80 per cent coverage at two unit prices for both. On the 70 per cent we have a unit price, an offer option, of \$2 a hundred and \$2.50 a hundred; on 80 per cent coverage, we have an option of \$2 a hundred and \$2.20. So we have four options on potatoes. On greens it is pretty nearly the same. We offer them 60 per cent or 70 per cent on the average of the farm yield. They have an option of four cents or five cents a pound as the unit price.

Senator Côté: When you talk about a compulsory plan, do the farmers who are not insured go to the government for help when they have trouble?

Mr. McInnis: Yes

Senator Côté: Has the government helped them?

Mr. McInnis: So far they have. Our government is really good that way. They have really stuck to their guns. They have said, "You have a crop insurance program—

Senator Côté: So why would the farmers want it compulsory, if the government bails them out anyway?

Mr. McInnis: No. Our government does not bail them out. We had a sudden hail storm and tornado last July 3. It cut quite a swath through the Island. I have to thank the federal government for this, but the farmers went to our government, and the government had to submit a brief to the federal government. The federal government turned them down for assistance. So our government went back to the farmers and said, "Look fellows, this is it. The federal government turned us down. We turned you down. You will just have to use your crop insurance agency." I think a compulsory insurance could work. The rates would be quite a bit cheaper, I am sure. It will come.

The Chairman: Do you hear from organizations asking for this?

Mr. McInnis: We have discussed it with quite a few of the farm organizations. They have not been against it. We have a small tobacco industry. It is worth about \$4 million or \$5 million a year. Practically all the growers take insurance. We are at a point where within a few more years we feel we will have every major cash crop insured. With the right promotion program, and pushing it, we are continuing to grow each year. In another five years I hope that probably 50 per cent of 60 per cent of farmers will take the insurance.

Senator Côté: Because you seem to think that the compulsory plan is so important, you would rather see the federal government say no—

Mr. McInnis: I do not think farmers can have it both ways—

Senator Côté: But you would rather the government say no, to force people to have it?

Mr. McInnis: My experience with emergency assistance programs is that the farmer who needs the money most is the chap who seldom gets it. The farmer who howls the loudest gets the biggest cheque. I have never seen an emergency assistance program which really works fairly. It is a hit-and-miss program. I was involved in one immediately after I came into this sort of clean-up job, and it was the worst mess I ever got into. I am sure other provinces must have the same problem when they get emergency assistance programs. They are very hard to administer. With crop insurance it is a well organized program. It is just a matter of time. It is a lot of hard work, really. I think the biggest percentage of farmers will be into it. It is a new program. Our farmers are in the older age bracket. They are slow to change. Some of them, when they go to buy fertilizer, will still buy 6-12-12, and the government and everyone else recommends 12-24-24, which means that half as many bags are handled. The older farmers say it is not as good as the 6-12-12. But it is the same fertilizer. The

6-12-12 just has more sand in it. But you cannot change the farmer. They say "We can't get the same crops out of the 12-24-24 as we do from the 6-12-12." It involves twice as much work, it is more expensive fertilizer, but the \$6 fertilizer is the newer fertilizer. We are slow to change. However, we keep hammering away.

Senator Michaud: What do you do with companies involved in a matter like this? Should they not know the difference between the 6-12-12 and 12-24-24?

Mr. McInnis: Yes, they do. They tell the farmers, but they "I can't get as good a crop."

Senator Inman: Well, he should know.

Senator McGrand: Wheat is one of grains that are insured. How many acres would you have in wheat production, and is it grown for human consumption or as feed?

Mr. McInnis: We have about 10,000 acres of wheat and it is all feed wheat. We have had very little success with wheat for milling purposes. Our winter kill is so bad that we cannot grow winter wheat.

Senator McGrand: None of these crops is insured against winter kill?

Mr. McInnis: Only strawberries.

Senator Michaud: When you mentioned you had different options covering either 60, 70, 80 per cent, what do you consider to be your average yield in applying those ratios?

Mr. McInnis: The average yield, really, is the farmer's own yield. With respect to potatoes, we spot test in the field. We get the actual yield of all our potato growers. If a farmer has put all of his potatoes into storage, we measure his storage as soon as he is through harvesting.

With grains it is a little more difficult. We do field inspections. Again, we can do field inspections because we are such a small province. We take an estimated yield just prior to harvesting of the grains. Our average yield, in most cases, we feel, is the actual yield that the farmer is producing.

Senator Michaud: The most common index used for potatoes in New Brunswick, as you well know, is barrels. Would you consider that 120 barrels, with a weight of 165 pounds per barrel, per acre would be an average yield in Prince Edward Island?

Mr. McInnis: Yes, I think it would. Our average yield varies between 210 and 225 hundredweights. In 1974, the actual yield of all insured acres was 238 hundredweights to the acre. That represented a beautiful crop of potatoes.

Senator Michaud: What are the cutoff dates for the coverage?

Mr. McInnis: With respect to potatoes, it is October 25; for grains, it is October 10, and September 27 for tobacco. Those are the three major crops. The cutoff date for most of the crops is in October. With respect to the cold crops we get into November. The cutoff date for rutabagas, for example, is November 5, and for brussels sprouts, up to November 20.

Senator Michaud: The cutoff date for potatoes is October 25?

Mr. McInnis: Yes.

The Chairman: You said the federal government should introduce a re-insurance program for the smaller provinces. I think the committee has some general ideas as to re-insurance programs as they exist today, at least in relation to the western provinces. Is your re-insurance program any different than that? In other words, after you use up the current premiums and the reserve, the province pays $2\frac{1}{2}$ per cent, and beyond that it is split 25-75, 25 per cent coming from the provincial treasury and 75 per cent coming from the federal treasury. Do you have that kind of re-insurance scheme now?

Mr. McInnis: Yes, it is the same. The province does not carry re-insurance. Our government feels it would be of no benefit at this time.

The Chairman: Where does the money come from in the event of a major disaster?

Mr. McInnis: The federal treasury.

The Chairman: In the way of a loan?

Mr. McInnis: Yes.

The Chairman: And the province is liable for the loan?

Mr. McInnis: Yes. We can borrow from the federal government, if we wish, under the Loan Insurance Program, but so far the Government of Prince Edward Island has made the funds available. This year was our worst year to date, and the province provided the funds necessary.

The Chairman: Why do you feel that the general reinsurance scheme is not adequate for Prince Edward Island at this point in time?

Mr. McInnis: First of all, there is not a large amount of money involved. This year we paid out about \$1.3 million. The premiums collected amounted to \$512,000, so we ended up with a debt of about \$800,000. Had we been under the re-insurance program, the province would have paid about \$400,000, with the federal government paying the other \$400,000. We feel that perhaps the province could pay out about \$200,000, with the federal government picking up the balance of \$600,000. Frankly, we are just looking for more money.

The Chairman: As I understand the present re-insurance scheme, that is precisely what it does. Perhaps some of the departmental officials can help us on this point. It seems to me that after the province has paid $2\frac{1}{2}$ per cent of the liability, it is then split 25-75, which is the kind of split you suggest. I am not arguing with you. I just want some clarification. It seems to me that you are able to get what you are asking for right now. Perhaps that is not the case.

Mr. McInnis: The $2\frac{1}{2}$ per cent is $2\frac{1}{2}$ per cent of the total coverage. Our coverage was just about \$9 million. The province then pays $2\frac{1}{2}$ per cent of that, plus 15 per cent of our premiums, which are prepaid, amounting to another \$75,000, and then it is a 75-25 split with respect respect to the balance.

We do not feel we are going to have a real major disaster on the Island, but there will be minor ones. If there is a minor disaster, the re-insurance scheme, basically, pays about half of the loss. If we had a loss of something in the area of \$2 million to \$3 million, then the re-insurance program would be beneficial.

The Chairman: What specifically would you suggest as the type of program you would like for the smaller provinces?

Mr. McInnis: Instead of 2½ per cent of the coverage, possibly 1½ per cent.

The Chairman: And then a 25-75 split?

Mr. McInnis: Yes

The Chairman: What you are really asking for, really, is that the $2\frac{1}{2}$ per cent be reduced to $1\frac{1}{2}$ per cent?

Mr. McInnis: Yes. As I said, we are looking out for ourselves.

Senator Côté: There is something on page 2 of your brief that I do not understand. In the first paragraph you say that the farmers would kike to have spot loss coverage because they have to lose 20 per cent of their crop before being eligible to collect. Right after that you say:

The Federal legislation which limits the amount of coverage to 80% of the farm yield may not be fair to all farmers, particularly in cases where a producer may lose as many as 30 acres of potatoes out of a total of 100 acres and cannot collect insurance:—

I don't quite understand that.

Mr. McInnis: It is the fluctuation in potato yields that causes that. If a grower is insured for 100 acres at 150 100-weights to the acre, and in a good year such as this yields 300 100-weights to the acre which, in effect, would be 30,000 100-weights of potatoes, he could lose half of his crop and still not collect any insurance because he has achieved his guaranteed yield.

Senator Côté: I still do not follow it.

The Chairman: It is similar to the situation on the Prairies, where a farmer may have spot losses because of hail. A farmer may have 100 acres insured at a certain yield per acre, but because it is a bumper crop year he may exceed his yield fairly substantially, as a result of which he could lose 30 per cent of his acres due to hail loss and still his yield would be greater than his normal guaranteed yield covered by the crop insurance. They have such coverage now for hail loss in some areas.

Senator Côté: I think I understand. It is not based on acreage, but rather on the actual production.

The Chairman: That is right.

Senator Norrie: What kind of wheat is grown on Prince Edward Island?

Mr. McInnis: Mostly opal wheat, which is a feed wheat. It is a variety that came in from Germany about four or five years ago. We have about 4,000 or 5,000 acres under wheat, and that is continuously increasing.

Senator Michaud: Do you recall the date of your first frost last fall?

Mr. McInnis: October 11, senator. That particular frost did not cause a great deal of damage. Our bad frost was on the nineteenth and twentieth, and we had a snow covering which lasted about three days. Temperatures went as low as 18 degrees Fahrenheit on October 20. It was a killing frost last year.

The frost itself does not hurt the potatoes. It is harvesting them after a frost when the ground is cold which damages the potatoes. Frost does not seem to affect the Neeted Gems. It is harvesting them when the weather and ground is cold that causes a chill to get into the potatoes, and they will gradually fall apart during the course of the winter. Potatoes which are close to the surface get hit with the frost, and gradually the chilled potatoes in storage will continuously deteriorate. It takes about three months before the deterioration stops.

Senator Michaud: In the light of those explanations, you must encounter a lot of difficulty with the Kennebec potato which grows on the surface.

Mr. McInnis: Kennebec and Sebago, yes. Sebagos are the worst. Sebagos are full of acid, and when they get hit with frost the acid goes through the whole pile. If there is one Sebago in a pile of potatoes, it can cause a great deal of damage because of the acid which goes through the whole pile. There seems to be nothing that can be done with Sebagos. You do not run into that difficulty with the Netted Gem.

Senator Michaud: Who set the regulations under a plan such as this, the provincial authority or the federal authority?

Mr. McInnis: The regulations are set by the province and agreed to by the federal government. We work quite closely with the federal officials.

Senator Michaud: The farmers in New Brunswick would like to have a cutoff date of October 25. The cutoff date in New Brunswick is October 15.

Mr. McInnis: From the New Brunswick farmers point of view, I am sure they would like October 25. Our frost period for potatoes is set at October 18 to October 22 each year. That is what we consider the danger period. Insurance is of no real benefit unless you give the farmer some protection during that period. They try to finish harvesting by the twentieth, but some years that is impossible. Last fall, for example, the rains came on October 14 and there wasn't a potato harvested in the period from October 14 to October 29. Had the cutoff date been October 15, the crop insurance for potatoes would have been of no real benefit to the farmers.

Senator Michaud: My point, for which the answer should perhaps come from the federal department, is that you earlier remarked that the whole province of Prince Edward Island is considered as one unit. Does the same apply to the province of New Brunswick?

Mr. R. Reid: Area supervisor, Eastern Canada, Crop Insurance Program, Canada Department of Agriculture: That is what we did in 1974.

Senator Michaud: Then potatoes will be covered for the first time this year?

Mr. Reid: In 1975; that is correct.

Senator Michaud: The one date will cover the whole province?

Mr. Reid: Yes, because we expect that by that time the whole of it will be in Grand Falls and Richmond.

Senator Michaud: Do you not think that there should be two areas in the Province of New Brunswick with respect to potatoes? After all, in the eastern part of the province tobacco is grown, as it is in Prince Edward Island.

Mr. Reid: That is possible, because we would have to have an off time.

Mr. Pender: In a case such as this, Mr. Chairman, the representation should be made and is usually made to the provincial crop insurance administrators. They then work through their board or commission asking for these particular provisions to be included in the plan. They should be negotiated first.

The Chairman: In other words, they have not asked for these things?

Mr. T. E. Pender, Area Supervisor, Province of Ontario, Crop Insurance Program, Canada Department of Agriculture: I do not know whether they have asked, but that is the usual procedure.

Senator Michaud: Well, at a meeting we had in this room in the latter part of April with respect to the Farm Credit Corporation, I did not bring this matter up publicly because it was not within the terms of reference of that meeting, but I asked Mr. Gorrell and he intimated to me at the time that the province would be considered as two areas with regard to the cut-off date. These areas would be the eastern and western part of New Brunswick. I therefore really cannot understand why that distinction has not been made in view of the fact that the temperature is so much different in those parts of the province.

Mr. Pender: Mr. Chairman, I suggest that we could investigate this.

The Chairman: Would you do that, please, and report back to the committee so as to complete our record?

Mr. Pender: Yes.

Senator Côté: Just as a matter of curiosity, Mr. Chairman. Mr. McInnis, you said that potatoes suffered from frost and continued to deteriorate during three months. Do you sell the potatoes during these three months?

Mr. McInnis: Unfortunately, yes.

Senator Côté: Before?

Mr. McInnis: We really had a bad year from the viewpoint of the market in having to put bad potatoes on the market last year. This is aggravated by the fact that the price was 1-1/4 cents a poind to the grower and he therefore gets rid of everything he can.

Senator Côté: I do not blame the farmer for attempting to sell everything he has, but the consumer does not know what he is buying.

Mr. McInnis: That is correct.

Senator Côté: Is there no way that the province could up-grade these potatoes and indicate some are good and some not so good?

Mr. McInnis: Only under a program under which the farmers would not be required to put them on the market.

Senator Côté: Have these potatoes deteriorated to the point at which they are not fit to eat?

Mr. McInnis: No; you will find when you cut a chilled potato open you will see a black surface, or cast from the

inside of the potato. This does not affect it as such, but it does affect the eating qualities.

Senator Côté: It affects what?

Mr. McInnis: If you know what a potato tastes like, you can taste it.

Senator Michaud: A frozen potato is sweet.

Senator Inman: What about the potatoes in storage throughout the winter and those potatoes which would not keep well? Are they covered by insurance?

Mr. McInnis: No, the only insurance is on potatoes during the growing season. If they are struck by frost like last year, then they go into storage and they are covered in storage because the frost damage happened during the growing season. We do not cover potatoes in storage, other than that.

Mr. Chambers: I was a little unclear as to whether you are actually covering the individual farmer's average yield.

Mr. McInnis: Yes.

Mr. Chambers: So the historical record of each individual farmer is being built up over time and you are using some average of that?

Mr. McInnis: Right.

Mr. Chambers: You are, presumably, using just the average from the point he joins the program?

Mr. McInnis: Yes, we start with a new farmer and give him the Island average for the first year. The second year he has his own average plus the Island average and for the third year he is at his own average. As he continues in the program, his average either builds up or decreases, in line with his farm operation.

Mr. Chambers: Could you give us some information as to whether, as is the case in some provinces, you have good experience increases in average yield? In cases in which there is no crop loss the average yield increases above the 80 per cent. Do you also have discounts, for continuing experience, on the premium rates?

Mr. McInnis: I do not know the answer to the first question. The only discount we have is that a farmer must be in the program four years without a claim and we give him a 5 per cent reduction on the fifth year. This reduction goes 5 per cent per year until it reaches 35 per cent, but the farmer must have been in the program for five years without claiming.

Mr. Chambers: So the maximum coverage on the maximum average yield is, then, 80 per cent in Prince Edward Island?

Mr. McInnis: Yes, and on some programs we give a straight 70 per cent to 80 per cent, but it does not vary. On others we use the straight ratio, by which the farmer will receive from 71 per cent to 80 per cent. For instance, in the case of rutabagas and potatoes, they build up. The first year they receive 71 per cent of their average year, which increases to 80 per cent. However, on grains it is 60 per cent to 70 per cent and potatoes 70 per cent to 80 per cent.

Mr. Chambers: The Alberta delegation recommended that their good experience program percentage be increased from 130 per cent, on average, to 150 per cent. Does the Prince Edward Island Crop Insurance Commis-

sion have any ideas as to whether there should be some form of good experience or increase in the average coverage of yield such as that?

Mr. McInnis: I do not quite understand what you mean by 130 per cent?

Mr. Chambers: My understanding is that a farmer in Alberta with a record of good experience for 10 years is increased year by year, and if you are insuring for wheat at 70 per cent of the average and have good experience, your percentage increases above 100 per cent. If we take the 70 per cent as being the base of 100 per cent, then each year a farmer has good experience he has an increase above that to 130 per cent of the 70 per cent. This means that he can obtain close to 90 per cent coverage. At the 150 per cent base it would be above 100 per cent of average.

Mr. McInnis: It might be a good idea, but we do not have it.

The Chairman: Manitoba has a somewhat similar scheme.

Mr. Pender: Mr. Chairman, to answer the question, the difference is that the Western provinces base coverage is on an area yield. In this case they are attempting to take care of the individual and give him a percentage of that area of average yield and build him up closer to his own average yield. In the province of Prince Edward Island the coverage is already based on the farmer's own average. To start an area average yield his own average yield must be plugged in and in five years he will be on his own individual average yield.

Senator Michaud: I have another question to direct to the representatives of the department with regard to potatoes: I understand that there is frost insurance on potatoes in the province of Quebec.

Mr. Reid: That is covered under general hazard insurance.

Mr. Pender: It is all-risk.

Mr. Reid: It is an all-risk program.

Senator Michaud: You cover potatoes?

Mr. Reid: Yes.

Senator Michaud: Is it at the same rate throughout the province of Quebec, or are there areas?

Mr. Reid: No, we do have the same rates for the entire province.

Senator Michaud: So in the district of Joliette, in which tobacco is grown, they are not covered for a longer period of time than they would be at Notre Dame de la Paix?

Senator Côté: Their rates may vary.

Mr. Reid: I will have to check this, but I believe the province is divided into areas. However, I am not sure with respect to frost hazards.

Senator Norrie: Does the government of Prince Edward Island recommend certain types of potatoes to be grown and the quantities?

Mr. McInnis: Varieties, yes; quantities, no. We have no control over acreage.

Senator Norrie: There is control over quality?

Mr. McInnis: Quality, no.

Senator Norrie: I mean type?

Mr. McInnis: The variety, yes. However, if the farmer wishes to bring in a variety there is really nothing to prevent him.

Senator Norrie: What are the proportions of the varieties?

Mr. McInnis: Sebago would be approximately 60 per cent of our acreage, then the Kennebecs. Netted Gems are the next variety. Then we have the early cobblers, which we hold for the Newfoundland market. Then there are other small varieties grown.

Senator Inman: Green Mountains.

Mr. McInnis: Green Mountains are still grown.

Senator Inman: If you have so much trouble with the Sebago, why do you grow them?

Mr. McInnis: For seed and storage; they are the best storing potatoes. Netted Gem is our processing potato now and I think we are going to see a big increase in acreage of Kennebecs in the next few years and less Sebago.

The Chairman: In the first page of your brief there is a very interesting sentence as far as I am concerned:

Today's farmers, if they intend to stay in farming, must cover these costs with a good insurance plan, but crop insurance must also keep pace with these rising costs and not continually lag behind.

Would you relate crop insurance coverage to costs, rather than to market prices? If so, how? I find it a most interesting statement and if we could get an explanation of what you have in mind, I am sure the committee would appreciate it.

Mr. McInnis: We relate all our costs to cost of production. The dollar value per acre is the unit price. We have been behind, especially on our grains and a few other commodities. This is in my opinion a very important part of it. The cost of production has increased so rapidly in the last few years that when a unit price is set in the fall it is only guessing. We were far gehind, particularly in grain, for which we set a unit price two years ago of 2 cents per pound, whereas that fall the farmer was selling at 4 cents. Anyone with a claim wondered where they could buy 2-cent grain. However, in my opinion the dollar value per acre has to be close to the cost of production in the total cost on the out-of-pocket expenses, such as seed, fertilizer, petroleum and so on.

The Chairman: Would I be correct in saying that this is pretty much a decision for the provincial board or authorities to make, so far as increasing this coverage is concerned? No amendment is required to the act to enable you to do what you relate to this part of your brief?

Mr. McInnis: No. This is a statement we make to go along with the program in general.

The Chairman: Thank you, Mr. McInnis. I will now call upon Mr. MacNeil to present the brief from the Nova Scotia Crop Insurance Commission.

Mr. D. G. MacNeil, Secretary-Manager, Nova Scotia Crop Insurance Commission: Thank you, Mr. Chairman and honourable senators. On behalf of the province of Agriculture

Nova Scotia, we appreciate the opportunity to meet with you this morning. I was very pleased that Mr. McInnis from Prince Edward Island led off. He pretty well covered my brief. To be fair, I should say that Mr. McInnis and myself sat down before coming to the hearing today, and perhaps both briefs represent some of the ideas from Eastern Canada.

The brief I am presenting was prepared by the Nova Scotia Crop Insurance Commission in cooperation with the Nova Scotia Department of Agriculture, and with the approval of the Honourable John A. Hawkins, Minister of Agriculture and Marketing for the province of Nova Scotia.

The crop insurance program was initiated in Nova Scotia in 1969, when a crop insurance plan for spring grain was implemented. Under the spring grain plan, we are insuring oats, barley, wheat and mixed grain. Since that time, an additional seven crop insurance plans have been made available to Nova Scotia farmers. Under the tree fruit plan, apples and pears are insured. We are insuring tobacco, strawberries, low-bush blueberries, corn—that is, corn silage and grain corn—we are insuring winter grain—that is, winter rye and wheat—and peas and beans for processing.

A six-member commission is responsible for the administration of the crop insurance program in Nova Scotia. The total cost of administration is shared equally by the provincial and federal governments. Also, both governments contribute 25 per cent of the premium, leaving the insured farmer responsible for the remaining 50 per cent. It has been the policy of the Nova Scotia Crop Insurance Commission to review annually the crop insurance plans that are in force. The commission attempts to review each crop insurance plan with representation from growers insured under each particular plan, to ensure the best possible program consistent with the act.

I would like to review some of the concerns that are brought to our attention by farmers who are not insured, as well as by farmers who are insured. Farmers fear that input costs are rising so rapidly that crop insurance coverage is not sufficient to cover their input costs.

With high input cost crops, farmers feel that the maximum coverage of 80 per cent of the insured yield permitted under the federal Crop Insurance Act is not sufficient to provide adequate protection.

Insured farmers who were not able to harvest all of their crops due to an insurable peril, but have attained their guarantee under the Crop Insurance Program, find there is no compensation for the input costs on the unharvested acreage. Even though no claim is paid, the insured's average yield per acre is reduced. Thus the insured's coverage in the future is reduced, since crop insurance protection is based upon the insured's past production records.

Many farmers feel that when a crop disaster occurs, the yield figures for that particular year should not enter into calculating the crop insurance coverage in future years.

The following recommendations are from insured farmers and from farmers who are not insured: That the federal Crop Insurance Act be amended to permit a cost-sharing system of one-third of the premium cost and 50 per cent of the administration cost.

Where wood lots and Christmas trees are an important source of income on many farms in Eastern Canada, it is suggested that the federal Crop Insurance Act be amended to permit individual farmers to insure their Christmas trees and wood lots against specified perils such as disease and storm damage.

The present system being followed concerning the provincial-federal crop insurance agreement is cumbersome. Under the present system, revision of the crop insurance plan necessitates a new provincial-federal agreement. It is suggested that when a province and the federal government enter into an agreement, provision or revisions be included under the initial agreement provided provincial-federal parties concerned agree that such revisions or additions of any new crops are in concurrence with the provincial-federal crop insurance acts.

The Federal Crop Insurance Act should be amended to permit livestock insurance against communicable diseases, and an insurance provision be added where a livestock farmer can be partially protected against income losses due to a communicable disease or specified perils such as floods, fires or major disasters.

When a province enters into a re-insurance agreement with the federal government, the conditions for the agreement are laid down by the federal Crop Insurance Act. Under the present system, once the province receives payment under the re-insurance agreement, the province is in debt to the federal government until the contribution is repaid.

The term "re-insurance" in the strict sense is not valid. It is simply a loaning provision. Under the present re-insurance agreement it is very difficult for a province to build up a reserve.

We have added a conclusion: The changes in the federal Crop Insurance Act should be designed to meet the needs of different regions of Canada. Cropping practices, climate and insurance needs vary widely across Canada. Provision should be made for regional crops and regional crop systems.

That completes my brief on behalf of the province of Nova Scotia. I am willing to answer any questions.

The Chairman: Thank you. What percentage of your farmers are covered by crop insurance?

Mr. MacNeil: I would say it is very similar to the Prince Edward Island ratio—somewhere around 20 per cent.

The Chairman: Does it seem to be expanding rapidly?

Mr. MacNeil: No, it is not expanding rapidly. Crop insurance is like any other type of insurance. You have to go out and sell. Farmers do not line up at your door looking for crop insurance. It is a hard-sell program. We have people out on the road, knocking on farmers' doors, encouraging them to buy crop insurance.

The Chairman: Senator McGrand, you should like number two, on wood lots.

Senator McGrand: What insurance would you put on wood lot trees other than fire, or moth—the spruce bud worm?

Mr. MacNeil: Those are two perils, senator. Perhaps the reason this point was brought out, is that last October we had in Nova Scotia a very bad storm which caused an awful lot of windfalls in our wood lots. A lot of trees were toppled over. There was no provision made to compensate wood lot growers. There was a lot of damage.

Senator McGrand: Concentrate upon Christmas trees—the small tree.

Mr. MacNeil: I would think the two greatest perils there would be disease—perhaps insects—and fire.

Senator Inman: It takes quite a storm to topple a spruce.

Mr. MacNeil: The storm we had last October came in with a heavy snow fall and high winds. The snow was quite damp and it lay on the trees. With the wind, it just blew them right over. A number of wood lots were damaged, and representation was made to the provincial government for assistance. But there were no policies or plans available to assist people.

Senator Norrie: I do not see how you can protect one little area from spruce bud worm, and not do the whole thing. How can you insure against just one little spot? How long does that spray protect an area?

Mr. MacNeil: I am not sure whether it is for a season I think probably for one season.

Senator McGrand: It inhibits the growth; that is about all it does.

Senator Inman: I know that in some of those wood holdings they do have to spray every year.

Mr. McInnis: May I say that the bud worm comes in cycles. At certain times it has to be sprayed. If the weather is right, they will hit twice a year. It is not very extensive now, but I have been working very closely with the Forestry Department and they spray twice a year, when the cycle is at its peak or when the young start to hatch. It is then that they use the spray. It is only for a very short time, though.

Senator Norrie: You say a farmer should have his livestock protected against communicable diseases. That seems to be a broad statement.

Mr. MacNeil: At the present time there is provision made under the Health of Animals Act to protect farmers against communicable diseases. But the indemnities that are paid—I do not pretend to know very much about this, but, in looking at this, I think the maximum provision for a pure bred dairy cow would be \$450.

Senator Norrie: I am not worried about the amount, but about the kind of disease. What diseases would there be besides TB and Bang's disease?

Mr. MacNeil: We are looking at poultry also, and most livestock. Especially in poultry, a person could get cleaned out very fast with a communicable disease. I think farmers were telling us that the provisions under the Health of Animals Act were not adequate. For example, let us take a dairy holstein cow. The replacement value is \$800. The maximum they could get is \$450, and any salvage value—perhaps \$100. So they are up around \$500. It would cost an extra \$300. Farmers felt that if they were wiped out by a communicable disease, they could find themselves in a pretty difficult situation.

Senator McGrand: What areas in Nova Scotia have the most crop insurance?

Mr. MacNeil: You are familiar with Nova Scotia?

Senator McGrand: Oh yes.

Mr. MacNeil: So far as crop insurance potential is concerned, the greatest potential is in the Hants, Kings, and Annapolis Counties. That is in the Annapolis Valley. This has been one of the slowest areas for the sale of crop insurance. It is fair to say that every year we are picking up more insurance in that particular area. If there is any potential for crop insurance, it is in that area. Let me give you an example. From Hantsport to Annapolis Royal we would have somewhere around 225 insureds. There is a lot of corn silage grown in the Annapolis Valley as well as grain corn. As well we have strawberries, and somewhere around 3,000 acres of our processing crops, being peas and beans.

Senator Coté: What about apples?

Mr. MacNeil: We have the apple growers in there, too. We have not been satisfied with the response from apple growers in the purchase of crop insurance. Those of us who are out promoting crop insurance cannot help but feel that perhaps the apple growers were a little sorry to see a program such as crop insurance come into effect, because it took away that tool of coming to the government for a handout in times of disaster.

I think one reason why more farmers are not buying crop insurance is that they still feel that during times of disaster the government will bail them out.

The Chairman: Can you explain your first recommendation, which is that the federal Crop Insurance Act be amended to permit a cost-sharing system of one-third of the premium cost and 50 per cent of the administration costs?

Mr. MacNeil: At the present time in Nova Scotia, the federal government pays 25 per cent of the premiums and 50 per cent of the administration costs, and the provincial government pays 25 per cent of the premiums and the other 50 per cent of the administration costs. Under this recommendation, if the federal government increased its share of the premium from 25 per cent to one-third, the provincial government would in turn increase its share from 25 per cent to one-third, and the farmer would be responsible for the other one-third. We feel that this would be a more equitable cost-sharing arrangement.

The Chairman: And the administration costs would be handled in the same way as they are presently?

Mr. MacNeil: That is right.

The Chairman: The program available in western Canada is one in which the farmer pays 50 per cent of the premium and the federal government pays the other 50 per cent, with the province picking up all of the administration costs. It must be cheaper for the Province of Nova Scotia to do it this way than that way.

Mr. MacNeil: There was an amendment to the federal Crop Insurance Act, Mr. Chairman, which gave the provinces the option as to which plan they wished to follow. By simple mathematics, it was obviously to the advantage of Nova Scotia to maintain the system as it was prior to that amendment.

The Chairman: I think your suggestion for insurance in respect of livestock is one which warrants further study. I think it is one of the most important suggestions that the committee has heard. What you are saying is that not only

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should we have crop insurance, but insurance for livestock. That, of course, would broaden the whole concept of farm insurance.

I do not know to what extent farm organizations have been demanding that type of insurance, but my experience with livestock people is that if they could get some kind of workable program, they would be very interested in some type of livestock insurance that would provide them some protection against disaster and loss, particularly with respect to valuable animals.

Mr. MacNeil: Just to elaborate on that point, the provincial Federation of Agriculture of the Province of Nova Scotia is giving some thought to this. Taking the example of a man with 100 head of dairy cattle which is wiped out because of an infectious disease, that man not only loses his herd, but also his income. We feel that some provision should be made whereby that individual can get some type of income to carry him through until he gets back into production.

The Chairman: That suggestion may mean another year's work for the committee!

Senator Coté: I am sure many farmers would have welcomed an infectious disease running through their herds last year.

The Chairman: Had they been insured, yes. In any event, it would have been cheaper than bullets.

Senator Norrie: Where is crop insurance most popular in Nova Scotia? Is it most popular in Colchester County, Cape Breton, or where?

Mr. MacNeil: Quite a large number of the farmers in the Truro area are insured under the Corn Silage Plan and Spring Grains Plan. We have a lot of the blueberry growers insured down through the Bass River, Economy area.

I should point out at this point that any promotional aspects of crop insurance are usually done by the crop insurance people responsible.

Mr. McInnis: In the past, "crop insurance" was a dirty phrase. Only the farmer who was trying to get money back took out crop insurance. I came into the program in 1966, and we really had to work hard to improve the image of crop insurance. It is only since 1970 that we really started to grow in numbers. Our coverage has been increasing each year. We are only getting the respect of many farmers today for having a good sound crop insurance program.

The Chairman: Would you suggest that there would be a larger budget for advertising? Would you suggest that the federal government do more in the way of publicizing crop insurance?

I notice in Ontario, listening to the radio and reading the newspapers, that crop insurance has been the subject of extensive advertising campaigns in an effort to get the farmers to come in and write it up before their deadline of April 30. Do you think something along that line might be done?

Mr. MacNeil: We use radio and press for advertising the programs. I might say, some of the representatives going around trying to promote crop insurance get the response, "Why do you have to have people out selling crop insurance? Why can't the farmer just go to the Department of Agriculture office and pick it up?"

The point is, you have to go out and sell it in order to get any participation. To give you an example, we had three people out during the latter part of April pounding the roads, as it were, and as a result we picked up about 65 new applicants. Perhaps as far as some of the other provinces are concerned, that is a very small number, but that is really tough going in Nova Scotia.

The Chairman: What percentage of the farmers called on would actually take out crop insurance?

Mr. MacNeil: Just talking off the top of my head, I would say that out of seven calls you would probably sell one.

Senator McGrand: Is it the most prosperous farmers who buy crop insurance?

Mr. MacNeil: Not necessarily.

Senator McGrand: Is crop insurance more popular in the areas where the farmers are concentrating on certain crops, such as corn, or potatoes? Is it more popular where you get a concentration on a certain crop, or is it in the mixed farming area?

Mr. MacNeil: Speaking about Nova Scotia, our experience has been that there are certain farmers in the community to whom other farmers look for guidance. If we can sell those individuals, then the other farmers also buy. However, if we are unable to sell those individuals, then there seems to be some reluctance on the part of the other farmers to take out crop insurance.

To give you an example, in the Wolfville area of the Annapolis Valley there were a number of farmers with large acreages of corn to whom we tried to sell crop insurance for six years. They were having good years, so there was very little interest in crop insurance. In 1974, however, the harvest was very poor. Large acreages of corn went unharvested. Because of that, we were able to sell these people crop insurance. They found out that they are going to be hit probably one year in ten and that crop insurance is a good investment.

Senator Côté: Is the Corn insurance plan more expensive than the plans for other crops? I note that some provinces charge more for crop insurance on corn.

Mr. MacNeil: If a person comes into the program in Nova Scotia who is experienced in growing corn, we will give him an average yield of 15 tons and allow him to insure at 60 per cent or 70 per cent. If he insures at 70 per cent, which is a guarantee of 10½ tons per acre, he can insure that at either \$7.85 a ton, or \$10 a ton. It is his option. If he insures at \$7.85, his coverage per acre is somewhere around \$83. That would cost him around \$4.50 per acre. If he wants to insure at \$10 a ton—10½ ton guarantee at \$10—his coverage would be \$105 an acre, and that would cost him \$5.50. The figures I am giving you are approximate figures.

Senator Côté: But comparing corn to other crops, is the insurance more expensive?

Mr. MacNeil: Yes. Spring grains would cost \$1.50 for 60 per cent coverage, and perhaps \$2 for 70 per cent coverage.

The costs I have given you are the growers' costs. The gross cost for insuring beans in Nova Scotia would be \$22 per acre, with the farmer paying half of that. The cost for processed peas would be \$18 per acre, again with the farmer paying half, or \$9.

Dealing with the peas and beans plan, in 1973 we took in around \$23,000 in premiums and paid out \$137,000. In 1974, the plan paid out somewhere around \$87,000 and took in around \$64,000. We increased the premiums in 1974.

Senator Michaud: Do I gather that in your province potatoes are not of major importance?

Mr. MacNeil: We are not insuring potatoes in Nova Scotia.

Senator Michaud: Are a few grown?

Mr. MacNeil: At the present time I believe it is approximately 4,000 acres, but if we go back 40 or 50 years, I am told that the Province of Nova Scotia was growing approximately 60,000 acres and was the leading province as far as potatoes were concerned in the Maritimes, ahead of New Brunswick and P.E.I.

Senator Michaud: Perhaps your problem in this regard is the same as that of New Brunswick: being too close to Prince Edward Island, we cannot compete.

Senator McGrand: What county in Nova Scotia grows the most potatoes?

Mr. MacNeil: King's County.

Mr. Reid: The crop insurance cost is the amount of money that the farmer must pay on each acre insured. However, it is the function of the coverage and what we call the premium rate. If he insures a crop at \$200 coverage at 5 per cent it is \$10 per acre and 50 per cent is \$5 to the farmer. Another crop, let us say the coverage is only \$100, but the premium rate is 12 per cent, it costs the farmer \$6. The farmer is interested in the money he must pay, which is \$5 or \$6, but when you put the question, "Which is the most expensive?" in Nova Scotia grain is 8 per cent and 12 per cent depending on the percentage of coverage, while corn is 8 per cent and 10 per cent here and 8 per cent and 9 per cent, but the coverage will differ.

Senator Côté: There is a premium.

Mr. Reid: Yes, we have. Let us say we take 4 per cent or 5 per cent, but the coverage in potatoes is much higher than on an acre of spring grain.

Mr. Pender: The percentage of premium rate reflects the risk, so corn and spring grain would be approximately the same risk, at 8 per cent. That governs how much will be paid per hundred acres of insurance over a long-term period.

Mr. Chambers: Does Nova Scotia have a similar plan to that of Prince Edward Island in insuring the individual grower, or is it insured on the area basis?

Mr. MacNeil: No, we tried to insure on the individual grower. For corn we used a five-year average and for spring grain a 10-year average. Tobacco is on an eight-year average, but we try to insure on an individual average, with the exception of our P and B plan, which is a different type of plan.

Mr. Chambers: Do you have any of these options which we discussed earlier, such as good experience discounts and increases in the average covered?

Mr. MacNeil: We do not have any good experience discounts. We did once, but when the provincial government came in with 25 per cent of the premium we decided to

take the good experience option out. As far as increasing coverage, the maximum coverage available under the crop insurance premium as spelled out by the federal Crop Insurance Act is 80 per cent. If you are familiar with the Ontario plans, we have in Nova Scotia a two-range system with a minimum coverage of 60 per cent and 70 per cent. There is an option. If a farmer starts at the 60 per cent and does not have a claim he can go to 62 per cent of his average yield, 64 per cent, 66 per cent and 68 per cent. At the 70 per cent range he can go to 70 per cent, 73 per cent, 75 per cent, 76 per cent, 78 per cent and 80 per cent.

Mr. Chambers: And after a claim he would progress downwards?

Mr. MacNeil: That is correct.

Senator Norrie: Do you have any idea how we could make it more popular?

Mr. MacNeil: I do not really know how we could make it more popular. I think even if the program were free some people would say there was too much paper work involved. or put forward some other excuse. However, at the present time in Nova Scotia we have over 500 farmers insured and are hoping that with changes in plans and so on more farmers will become involved. I believe we are the only province in Canada with a plan we established two years ago for lowbush blueberries. That is quite a large industry in Nova Scotia and we insure approximately 5,000 acres at present. Returning to your question of making it more popular, I believe that to be simply a matter of education and meeting farmers. This is one of the things we do when we go out and make perhaps eight or 10 calls in a day. Although they may not buy the crop insurance, we take the time to explain what it is all about and that in the past two years approximately half a million dollars has been paid out to Nova Scotia farmers.

Senator Inman: We have quite a big blueberry business. Are they insured6

Mr. McInnis: No, we can only introduce it if it is requested and blueberry insurance has never been requested.

Senator Inman: I am sure the tobacco is all insured, though.

Mr. McInnis: Just about all, yes. You see, their input ranges from \$700 to \$900 per acre and there is just no way they will put that kind of money into the ground and not cover it with insurance. Our biggest potential is our grain insurance. We have approximately 170,000 acres growing and only approximately 20,000 acres insured. When we speak to the farmers they say their total harvest is only 70 bushels to the acre and they do not need insurance.

Senator Inman: How many farmers are there in Prince Edward Island now?

Mr. McInnis: We carried out our own survey and feel that we have 2,800 farmers who would be insurable, but another approximately 1,500 who are, you might say, parttime farmers. So it is roughly 4,000 farmers.

Senator Inman: That is not so many as it used to be.

Mr. McInnis: No.

The Chairman: Do your boards ever meet with representatives of other boards and government officials? It

seems to me that you have been working together already. Might there not be a means by which you could have joint regional conferences of crop insurance agencies once every two years, or something like that, and exchange ideas and perhaps give out and acquire information which might be helpful in improving the various plans in the different Maritime provinces?

Mr. McInnis: We called one such meeting last December and experienced the worst three days' storm of the winter, so the conference was cancelled and we nover got around to getting it going again. However, we have been discussing this, and Mr. MacNeil and I meet probably every two months, and now that Dale Steeves from New Brunswick is getting into it, we invite him. We go to Amherst or Moncton and spend a day. It has been of assistance.

Mr. MacNeill: Yes, it has.

Mr. McInnis: We have a federal-provincial conference every two years, to which we take our board of directors and meet representatives from other provinces. This is very good and I think it is a must with crop insurance that the representatives should meet.

The Chairman: And the board of directors?

Mr. McInnis: The board of directors, especially.

Senator Norrie: Has crop insurance increased in P.E.I.?

Mr. McInnis: I would say it has increased steadily. In 1970 we had approximately \$1 million worth of coverage. This has increased by \$1 million each year until in 1974 there was a boost and it increased something like \$5 million over 1973. The farmers accept it. The cost of production is becoming so high that they just cannot take a chance, especially with potatoes. Grain costs probably \$70, \$80 or \$90 per acre to grow now.

Senator Inman: I noticed when driving through the province last summer that more farmers are growing grain.

Mr. McInnis: Yes.

Senator Inman: Is New Brunswick increasing that

Senator Michaud: I think we asked that question at the April meeting, when the Farm Credit Corporation representatives were present. I do not believe their experience was too good last year, for the first time. It was a bad year for frost, but that is no reason to be discouraged. That is what the insurance is for.

Senator Norrie: It is very much slower in the Maritimes than in the western provinces, is that correct?

Mr. McInnis: I do not feel that we have the risks encountered in the West. Our main risks are frost, tornadoes or hurricanes. Frost is our main risk.

Senator Michaud: Would you get more business from the corporate than from the family farmer?

Mr. McInnis: Maybe there is a tendency toward that. The corporate farmer considers it as a business now, to cover his risk.

Senator Michaud: More so than does the family farmer?

Mr. McInnis: Yes; with the present system and the amount of crops we have now a farmer will insure his total

crop. In past years he probably would have insured the one crop he considered was his biggest risk, but in recent years the tendency is to take blanket coverage on the whole farm

Mr. MacNeil: One point that is perhaps applicable to eastern Canada, or is different in eastern Canada, is that we have farmers who say they have their own insurance and do not need crop insurance. For instance, a farmer who grows corn may have an orchard and probably some tobacco. They decide that if they happen to lose their corn, perhaps apples will take care of the loss. In Nova Scotia and Prince Edward Island the farmers take the attitude that if they lose one crop another will recover their losses. This argument is used quite widely.

Senator Michaud: Is that not what the farmers used to do before?

Mr. MacNeil: Yes.

Senator Michaud: They always had two or three different crops in order to protect themselves.

The Chairman: We can have five different grain crops on the Prairies, but they will all probably be subject to the same kind of disaster in the same percentage range. If the frost kills half the wheat, it may kill half the barley. We may have more eggs, but the same things happen to them.

Mr. MacNeil: We have farmers who buy crop insurance, for instance, on their tobacco crop, which has a high input cost. However, they will not buy crop insurance on their spring grain and apple crops. If we had a program providing that they must insure all their crops we would have more participation, perhaps.

Mr. Chambers: On that point, does the Nova Scotia gentleman have any comments with respect to the Prince Edward Island suggestion of compulsory crop insurance?

My second question, for the gentleman from Prince Edward Island, is that when he speaks of production costs, is he including the cost of capital, labour and management, or just out-of-pocket operating costs?

Mr. MacNeil: Commenting on compulsory crop insurance, that is a difficult one to answer. I would like to see further participation by governments putting money into crop insurance, to encourage as many farmers as possible to come into the program on a voluntary basis. I would like to see, perhaps, federal-provincial governments paying a higher part of the premium. I am afraid that if we get on to a compulsory basis, it might be very difficult to administer. We might get people coming into the program who would be out to take the crop insurance program. I really cannot be specific. My only comment would be that I would prefer to see greater participation on behalf of the federal and provincial governments to encourage farmers to come in-because they tell us, when we are talking to them, that the primary purpose of crop insurance is to take farmers off the backs of governments in time of disaster. They tell us that is the real purpose of crop insurance, that that is what it is all about.

Senator Norrie: Then they should wipe out the disaster funds.

The Chairman: We have had a good discussion this morning. When I call the adjournment, I will ask honourable senators to remain for a brief *in camera* meeting. A couple of items should be dealt with.

Senator Michaud: I have one comment to make. Last week a delegation from the province of Manitoba told us they were looking with favour at an income coverage, as well as all the other hazards we have been talking about this morning. Perhaps, in their spare time, the witnesses could give consideration to the same coverage being applied to the Maritimes, similar to the western part of the country.

Mr. McInnis: I think that crop insurance could eventually lead to income stabilization. To answer Mr. Chamber's question, our coverage is based on input—seed, fertilizer, insecticide, harvesting costs, and that type of thing—the out-of-pocket expenses. We cover out-of-pocket expenses. No depreciation.

Mr. Chambers: In conditions of, say, complete crop loss in potatoes, all you are doing is cover out-of-pocket

expenses. A young farmer who had just got into potato farming would have to come up with his interest payments, cost of living for his family, and that some of this should be built into the crop insurance coverage?

Mr. McInnis: A lot of people are asking about that. Most farmers live on depreciation for a year. That is what they do. It is unfortunate, but a lot of farmers do it year after year.

The Chairman: Are there any further questions or comments? I thank the witnesses for their very valuable contribution to our deliberations. They have put forward some excellent suggestions. Hopefully, when it comes time to prepare the report, some of their ideas will be included, and will be helpful to farmers across the coutnry.

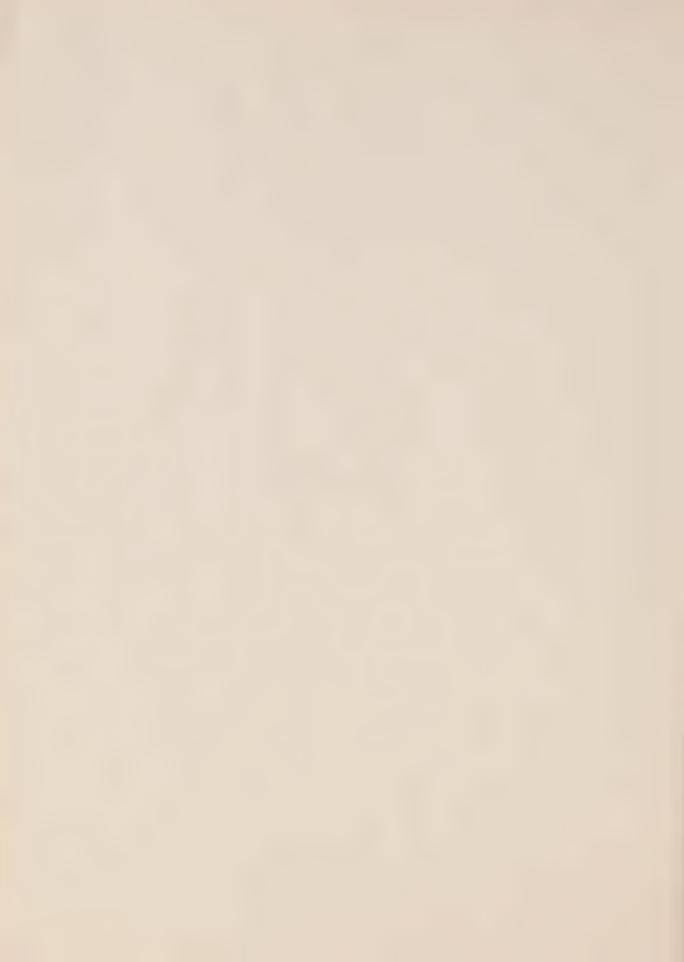
The committee adjourned.

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada











FIRST SESSION—THIRTIETH PARLIAMENT
1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

LIBRAS LINE MO

Issue No. 18

THURSDAY, JUNE 5, 1975

First Proceedings on Bill C-19, intituled:

"An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada"

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

McElman Argue Blois McGrand Côté McNamara Michaud *Flynn Fournier (Restigouche- Molgat Norrie Gloucester) Greene *Perrault Haig Sparrow Hays Welch Williams Inman Lafond Yuzyk—(22) McDonald

*Ex officio members

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, May 21, 1975:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Molgat, seconded by the Honourable Senator McDonald, for the second reading of the Bill C-19, intituled: "An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Petten moved, seconded by the Honourable Senator Giguère, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier,

Clerk of the Senate.

Minutes of Proceedings

Thursday, June 5, 1975

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 4:00 p.m. to consider Bill C-19, intituled: "An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada."

Present: The Honourable Senators Argue (Chairman), Blois, Fournier (Restigouche-Gloucester), Greene, Inman, Lafond, McDonald, Norrie and Yuzyk. (9)

In attendance: Mr. Albert Chambers, Research Assistant to the Committee.

Witnesses: The Honourable Otto E. Lang, Minister of Justice and Attorney General of Canada and Mr. Harry Leggett, Director of Grains and Special Crops Division, Department of Agriculture and Production Advisor to the Grains Group.

At 5:00 p.m. the Committee proceeded to the consideration of the next Order of Business in camera.

At 5:25 p.m., the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, June 5, 1975.

The Standing Senate Committee on Agriculture, to which was referred Bill C-19, to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada, met this day at 4 p.m. to give consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we are pleased to have with us this afternoon the Honourable Otto Lang, the minister in charge of the Canadian Wheat Board, who is piloting this bill. With him is Mr. Harry Leggett, Director of Grains and Special Crops Division, Department of Agriculture, and Production Advisor to the Grains Group. Without further ado I will ask the Honourable Mr. Lang to outline the purpose of the bill and to make a statement on it

The Honourable Otto E. Lang. Minister of Justice and Attorney General of Canada: Thank you very much, Mr. Chairman.

The bill essentially confirms and puts into more permanent form decisions that were taken previously, and which were put into effect initially by items in the estimates. The decision in question was essentially in two parts. First, that the wheat sold to processors for human consumption purposes in Canada should for a seven-year period, ending in 1980, be sold at a price no lower than \$3.25 a bushel and no higher than \$5 a bushel in terms of the prescribed base grade, with variations according to quality from that base grade.

This decision followed a period when the government had adopted two forms of two-price wheat, which is retained in this bill. The earliest form was the holding of the domestic price in Canada at \$1.95 $\frac{1}{2}$, which was the then world agreement price minimum while world prices fell below that level. They fell as low as \$1.70, and lower in terms of the base grade. We had, therefore, for that period of time this kind of 25 cents or so higher price in Canada than we had in our export market, on the basis of the decision of simply holding the price at which the Wheat Board could supply to millers and processors in Canada at that world floor price.

Subsequently, in 1972 we decided that the domestic price for wheat really ought to be higher than that, for the sake of the income of our producers, and that it should indeed move to \$3 from \$1.95½. However, rather than obtain that \$3 from the processors, which would mean passing it on to the consumer of bread, particularly, we decided to add the amount from the Treasury. The difference, therefore, between \$1.95½ and \$3 was to be paid from the Treasury to the producers of wheat, directly in the case of central and eastern Canada, and in the form of an acreage payment in the case of western Canada.

In passing, I might say that we chose the acreage payment because we did not want to unnaturally bias the producers' decision in favour of wheat compared to other grains they might grow, which are more or less competitive on the same acreage, and we would in fact have invited them to grow wheat to get the domestic protection if we had not paid the money on an acreage basis. Having got it on an acreage basis they could grow whatever seemed right to them in terms of their farm and other market considerations to growers.

In 1973 the world price began to move up, and indeed eventually crossed through the \$3 price—which was fixed for domestic purposes. Rather than hold the price at that \$3 for domestic purposes we decided to allow it to float upwards with the world price. Shortly thereafter, after discussions with the Canadian Wheat Board, we reached the arrangement which is the basis for this bill, that we should have for the seven-year period a \$3.25 floor and a \$5 ceiling, so that within those ranges the price would float effectively in terms of returns to the producer and with world prices, but that the producer would never receive less than \$3.25 for grain sold on the domestic market for human consumption but, at the same time, never more than \$5. We obtained a certain stability in terms of the consumer interest again with that \$5 ceiling.

In addition, however—and this is where the estimates come in—we decided that the basic policy of not letting all of this fall upon the consumer was still a valid one, and accordingly we agreed that any amount above \$3.25 which was required under this arrangement because of world prices being higher than \$3.25 would be paid from the Treasury rather than from the millers or processors. This meant that the millers or processors would effectively pay \$3.25 as a minimum and a maximum. The consumer, therefore, would have that as the basis upon which flour and bread were determined as far as the grain content goes, and that when the world price up to \$5 justified a higher reward to the producers the Treasury would pay that amount. This payment from the Treasury for the period is what is authorized in this bill.

I have spoken totally about the base grade in terms of the No. 1 C. W. Red Spring. There is a parallel arrangement in regard to Durum, but the principles are essentially the same, although the prices for Durum were temporarily higher and, therefore, different figures are reflected in the bill. However, I think there is no difference in principle.

The Chairman: The basic floor for Durum is the same?

Hon. Mr. Lang: The basic floor for Durum is the same, \$3.25, but because world prices were so much higher the price for Durum simply floats with the world price anywhere between \$3.25 and \$5.75, and the federal subsidy comes in over \$5.75, so there is a mechanical difference of some importance. I think that is all I have to say.

The Chairman: Before I open the meeting to questions, I think I should say something about the timetable of this bill, as I understand it. I think it is fair to say—and some of us know this more than others—that we have been under some considerable pressure to have this bill rushed through the Senate. I have been told that Ontario farmers, and perhaps others, feel that they are being denied some money because it is not the law of the land at the present time. I have been in touch with Mr. K. Standing, the Executive Secretary of the Ontario Wheat Producers, and he explains their point of view this way. When they close out their one-year pool, which ends June 30, they will have an audit made after that; there will be the accounting; then with this money available that will come into their fund they will pay their grain producers the final payment. I understand that will take some few weeks after June 30. All I want to do is to point out for the record that if this bill becomes law any time before June 30 it is just as good, as I understand it, for the purposes of the Ontario wheat producers as at any other time.

Hon. Mr. Lang: Perhaps I might comment on that. We have had fairly constant representations from Ontario wheat producers, particularly about the need for speedy passage. I understand they have some concern about not being able, in a final way, to close their books and make the calculations until the law is passed, and therefore there would be some resulting delays in payment if there were delay in passing the bill.

The Chairman: Beyond June 30.

Hon. Mr. Lang: Since the period of calculations would be involved, I think to make their payments on or about June 30, or immediately thereafter, they would have to close their books before that.

The Chairman: That is not my information, and I have it from Mr. Standing. From him I received no word that suggested pressure on the committee, and I got no sense of pressure on the committee. As a matter of fact, they are slated to come before this committee on June 17. They have done some switching of their own meetings; they cancelled a board meeting so that they could come on June 17. However, they are not anxious to come earlier than that for their own internal reasons. I therefore feel that any normal consideration of this bill by the Ssnate will enable the wheat producers of Ontario to receive their money on time.

Senator Lafond: Is it anticipated that this committee will hear witnesses other than the Ontario wheat producers with respect to this bill?

The Chairman: Yes, the Canadian Federation of Agriculture, the National Farmers' Union and the Canadian Wheat Board. The last people on the list are the Ontario wheat producers. In other words, all the other witnesses will be heard before they are.

Senator Lafond: Thank you.

Senator Yuzyk: Mr. Chairman, in view of the fact that the costs of production are rising constantly, I should like to ask the minister whether the floor price of \$3.25 per bushel, which is in this legislation, at least meets the cost of production of the farmer.

Hon. Mr. Lang: Mr. Chairman, generally I have avoided getting into the argument of what meets the cost of production, because there are some difficult variables, quite

apart from the fact that land areas differ and, therefore, costs of production differ markedly throughout the Prairies. In addition, there is the question of the appropriate return for land and what market value should be put on land for that purpose, in view of the fact that market value of land is affected by the price of wheat. There is also the question of what return for labour is appropriate. All of these factors make the problem more difficult.

When we talked about a two-price wheat formula in 1972, the provinces and others had not yet requested anything higher than \$3, and we fixed it at \$3. So we certainly moved into a range even at their request, which is fairly indicative.

When in 1973 we talked to the Canadian Wheat Board about whether \$3.25 to \$5 as an arrangement should be for three, five or seven years, they decided it should be seven years instead of three or five.

Senator Yuzyk: The \$3.25 to \$5 limits will apply so long as this legislation is in force. Can that be changed at some later date if it is found that the floor price, for example, will not even meet the cost of production?

Hon. Mr. Lang: That was the original intention, in the sense I was talking about it as a kind of valid contract. In consideration of the bill, the question did arise as to what sort of circumstances might lead us to say that the basis of the whole contract was itself in fact changed and that the contract should therefore be reviewed. That led us to put in the bill a clause which asks for an annual review of the question of costs of production of wheat and returns to producers in connection with the appropriateness of these levels. That simply recognizes the fact that since the time of the first agreement inflationary factors have been moving much more rapidly than had been anticipated.

Senator Yuzyk: There has not been any great protest against this floor price on the part of the organizations, has there?

Hon. Mr. Lang: By the time the bill came before the house they had become concened about the way costs were moving, but they seemed generally satisfied with this kind of annual review.

Senator Yuzyk: Thank you very much, Mr. Minister.

Senator Greene: Mr. Minister, I would be interested to know whether there has been any flak at all from any of our trading partners as to the principle behind this bill—either from our competitors in sales who say we are subsidizing exports, or on a question of principle. Because, as I understand it, one of the most sacred cows of international trade is that you do not subsidize the same product in a domestic maket, when, in effect, it would give you an advantage in the foreign market. Has the government received any flak or comment at all as to the principle of this bill in the international trading area?

Hon. Mr. Lang: No. There has been none at all, Senator Greene, that I know of. Most people would agree that the way we have arranged the assistance here is perfectly acceptable. It is as acceptable as any form of assistance can be. So long as the price is between \$3.25 and \$5 it simply really is a consumer subsidy which is being paid out of the Treasury instead of by the eater of consumer bread. No one can really complain about that.

If the world price reaches \$3.25 or falls below that, you might argue for some incentive to production in our price,

but it would be hard for anyone to argue that seriously, in view of the fact that it would still be a relatively modest price compared to prices in Europe, for example.

Senator Yuzyk: Are there any other countries which have a two-price system in grain?

Hon. Mr. Lang: Yes. There are, depending on the market circumstances. It may be that in the past year few of them have been operative because the world price has been high compared with previous years. But for many years the typical pattern in Europe was to sustain domestic prices for all of their grains well above the international price at which they are selling.

Senator McDonald: If I understand correctly the operation of this two-price wheat system, at the moment the miller of Canadian wheat for Canadian consumption is paid \$3.25 a bushel for that wheat. Is that correct?

Hon. Mr. Lang: Yes, for the base rate.

Senator McDonald: As of the most recent date, what would be the subsidy on top of that now? How much a bushel?

Hon. Mr. Lang: The amount payable varies, according to the bill, on a month-by-month basis. Under the estimates which were passed for the first year of operation it was a maximum of \$1.75, because we based that on posted Wheat Board tied-selling prices. In the future, to get a more realistic price, we are basing it on the price of the wheat actually loaded into vessels during each month so that we have real prices in terms of real prices in terms of real contracts that we are dealing with. I have some figures here which indicate that the maximum in terms of No. 1 C.W.R.S. would have been paid down to and including the month of January, 1975. But in February the figure would be \$1.72 point six; in March it would be \$1.64 point two and in April \$1.75—the maximum once again.

Senator McDonald: Mr. Chairman, one worry I have is that the floor price is \$3.25 and the maximum ceiling in 1980, or five years hence, will be \$5. And yet wheat was selling at \$5. Now, from the figures you have given me, it is down to \$4.97 and according to more recent figures it has dropped from that. If we look at what has happened to wheat along with most other commodities, and what has happened to the cost of producing wheat or almost any other commodity in the last five years, we see a tremendous increase. Perhaps my vision is not very good, but when I look into the future I tend to see further increases, and if we are almost at the top now of the \$5, and looking forward for five years with that ceiling placed there, the only way it can be changed, as I understand it, would be under clause 3 on page 4 where it says:

(3) The Minister shall, on an annual basis and in consultation with the producers, review the provisions of this ${\sf Act}$. . .

et cetera.

Is that a better procedure than making provision in the bill for some automatic adjustment as prices generally increase, or is it more bothersome to do it that way rather than the way you propose in the bill? Some people seem to be concerned that there is no provision in the bill for an automatic increase if prices increase.

Hon. Mr. Lang: Many who asked for an automatic increase have really been satisfied with the forms of review that we have put in here. During the house commit-

tee deliberations I tried to explain that the factors which enter into the question of whether or not a return is appropriate are themselves very complex, and while you may be certain that costs of production are going to continue to rise, past experience would indicate that another factor working in the opposite direction is also going on constantly—namely, that with improved varieties of wheat which produce more bushels per acre you may, on a bushel basis, end up with lower costs even though costs on an absolute basis continue to rise. There is therefore the need to take all of these things into consideration, as we wanted to do in an annual review instead of attempting to spell out the complexities of this or that situation.

Senator McDonald: And you would find it very difficult to put this in a bill—

Hon. Mr. Lang: Yes, that is right.

Senator McDonald: —where you would get the broad questions concerning the cost of production, as you have mentioned, and whether you produced more bushels per acre, which is certainly quite feasible. You would find it difficult to put that in a clause or clauses of a bill, and you think it is better to have this review by the minister.

The Chairman: The milk producers now have something like an automatic increase with the changes in costs of production. Holstein cows produce more that the Holstein cows did 20 years ago; two cows will now probably produce what three did some years ago. It seems to me that there should have been some kind of formula in there, and if I read it correctly—and our witnesses in the future will either corroborate the minister or will corroborate what I say—I do not think anything will satisfy them.

Hon. Mr. Lang: I am sorry, but there is a very fundamental difference between a review such as that in relation to daily policy, or an index on fixed wages or other fixed payments, which should be borne in mind, and that is that we have here a floating range, and it is a very different thing to work with than a fixed return. It is one thing to say that the total reward to a man or to a woman in relaion to a dairy operation ought to be fixed at a certain level and then move with costs of living or costs of production. But when the range may sometimes be more than the cost of production, it may also be less than the cost of production, and the average has to give a fair return and cover costs. It is far more difficult to index the average. What we did in 1973—and it is great to have hindsight was really to arrange a seven-year program of prices for the wheat producers' sales in Canada, which any one of them would have jumped at if we could have got it for our whole production internationally on a long-term agreement. Because we had just gone through a period when we had never before—except for one short month in the first world war—seen a price of wheat which had even reached \$3. We had just seeen it for the first time hit \$3 and then go through and hit \$5, and at that point we entered into an agreement which put \$3.25 as the floor, which two months before had been an all-time record, and \$5 as a ceiling, which was something that nobody had ever dreamed ofthat is, until a few months before. That certainly seemed to cover the purpose. But now, in view of the fact that circumstances seem to have changed, we have put the review provision in and it does seem to be fair.

The Chairman: If you are able to look to the future—and I am not implying that you should—would you anticipate that the coming annual review would result in an increase

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in the floor price? I would think it would have to if it means anything. I say that because any item that I know of that goes into the cost of production of wheat is on the way up, except perhaps the price of seed grain itself to the farmer.

Hon. Mr. Lang: I would not suggest that the floor price would have to be reviewed just because the cost of production has risen. The question is really whether the overall return to the producer is still adequate, so I really would state the principle that unless we can cut the tops out from what he can receive, you cannot really expect to eliminate all the bottoms. The average is what has to be appropriate over, say, a three-, five-, or seven-year period.

The Chairman: The average of all wheat or the average of domestic wheat?

Hon. Mr. Lang: The average of returns to him. What I am really saying is that if you have to argue in one year that since the cost of production was \$3.40, he must therefore get no less than \$3.40, somebody else would argue back that he should also get no more than that. But the producer would still want to go up to \$4 or to \$5 if the market allowed that.

The Chairman: But my real fundamental difficulty is this, you may have all the good arguments and they may be very sound, but you just do not convince people, and I do not think the farmers will accept a \$3.25 floor that does not carry some kind of escalation.

Hon. Mr. Lang: I do not think I have with me the replies from the farm oganizations that indicate their general satsfaction with this situation; but they really came to the house committee.

The Chairman: I would really appreciate receiving them, and we would be happy to put them in as part of our evidence.

Senator McDonald: Mr. Chairman, could I ask about clause 5(3), again on page 4, where it deals with the minister's review? This was not in the original bill, was it?

Hon. Mr. Lang: No, that was added in the house committee.

Senator McDonald: I notice that one of the farm organizations said— and I think it was the Palliser group—that they would like one of two things, either an escalator clause or a periodic review of the agreement during its life. Apparently when you added this they were prepared to accept the bill.

Hon. Mr. Lang: That is right.

Senator Lafond: Mr. Chairman, would someone explain briefly to an Eastern layman with respect to clause 3 of this bill the difference between in and outside the designated area and why the discrepancy of 30 days in the application of the legislation to each?

Hon. Mr. Lang: The designated area is the Canadian Wheat Board area which has been made effective as the area from which all wheat must be marketed through the Canadian Wheat Board, for any export sales purposes at least. Their crop year ends on the last day of July. Outside the area the principal agency involved in marketing is the Ontario Wheat Board and their crop year ends June 30, so the two dates have been used.

Senator Lafond: As I understand it, this legislation will apply to all wheat sold or destined to domestic consumption.

Hon. Mr. Lang: Domestic human consumption, yes.

Senator Lafond: Domestic human consumption. Do we have an estimate of how large that consumption will probably be, say, for the crop year starting August 1, 1974?

Hon. Mr. Lang: An estimate would be approximately 68 million bushels. The breakdown, with the normal pattern, would be approximately 60 million bushels Western and eight million bushels outside the Prairies.

Senator Lafond: So that in round figures at the maximum the subsidy out of the Treasury would be \$90 million to \$100 million?

Hon. Mr. Lang: I believe the estimated figure is \$120 million.

Senctor Greene: Has there been any reaction from the Ontario government that this will interfere in their exclusive province at all vis-à-vis the Ontario Wheat Board, or have they given it their pontifical benediction?

Hon. Mr. Lang: I do not believe we have had either. We certainly received no adverse reaction; I find it hard to recognize one.

Senator Greene: You do not deal with them as directly as does the Minister of Agriculture. I am sure he can take care of any objections there.

The Chairman: Are there other questions on this point?

I wonder if the minister would care to comment on what I am about to say. It would seem to me that one of the difficulties in relation to this annual review is perhaps a reluctance on the part of the Cabinet to bring in more wheat legislation to a Parliament that is already bogged down with legislation. It would seem to me that it would be easier for Parliament to have legislation drafted in such a say that action could be taken without further parliamentary action. I might be mistaken; maybe this does not require parliamentary action.

Hon. Mr. Lang: That is right; it does not require further parliamentary action. In a sense I did make the point of agreeing with the committee that while I did not want to resist on technical grounds the amendment which was proposed in clause 5.(3), on page 4, it was in one sense an unusual provision to include in a bill which was really simply designed to pay the subsidy element in relation to the long term in regard to the price of wheat. The arrangement is itself contained in Orders in Council approving after the Wheat Board's agreement that the Wheat Board should constantly sell during the second year period at \$3.25 price because the balance comes from the Treasury and was in the estimates and is now in the bill. So, if we were to reach the conclusion that the figures had to be modified, that could be done by simple approval of Order in Council.

The Chairman: Through estimates?

Hon. Mr. Lang: It would only be through estimates if we decided then, again as a matter of policy, that that should come about from the Treasury. We could vary the amount the millers must pay through Order in Council. If down the way it seemed appropriate to allow that to increase to \$4, we could allow the millers to pay that by Order in

Council and we could have to use estimates if we wanted to pay a further amount.

The Chairman: In discussing this initially with the Canadian Wheat Board, were they generally quite favourable to the idea of what was done, or did it take a little ministerial persuasion to get them into line?

Hon. Mr. Lang: No, I did not exercise any ministerial persuasion. In fact, if you look back at the news of the day, when the agreement was first discussed we were talking in terms of, I believe, the \$3.25 floor. If anything, it was lower, but I think it was the \$3.25 floor to a \$4.75 ceiling. It was really an arrangement of a \$3.25 floor and, I believe a \$4.75 ceiling that we put to the Canadian Wheat Board. I asked them what their reaction would be with that range, good, three, five or seven years? They said good, seven years. We then, of our own decision, chose a higher figure of \$5.00 for the ceiling.

The Chairman: Did you discuss it at roughly the same time with the advisory committee to the Wheat Board?

Hon. Mr. Lang: No, we did not. That was essentially a matter of timing, on the one hand; but also a question of the prices at which wheat sold are so much a matter that the Wheat Board in its selling decision makes that it might not be appropriate, at least on the past patterns.

The Chairman: Would you consult the new advisory board?

Hon. Mr. Lang: I hope that the new advisory board will become a stronger and stronger instrument, now that it is an elected board.

Senator Lafond: Has it been elected, or is it in process?

Hon. Mr. Lang: No, it has been elected. We did not change the Canadian Wheat Board Act, so technically we had to appoint them by Order in Council. However, there was an election to select the persons with an appointed period.

The Chairman: I wonder if you could explain to the committee, and for my own information, how this policy relates to Durum wheat, because it is different and, as I understand it, the floor itself is exactly the same.

Hon. Mr. Lang: The floor at \$3.25 is the same as with Red Spring wheat. Our analysis shows that over the years the prices of these two were very close to one another, with variations, although it may be true that prices on the whole favoured Durum very slightly. However our further analysis was that the justification for the price in terms of productivity of land was for an equal price, that by and large the same acres of land will produce the same number of bushels of Durum and spring wheat. That is a judgment that has been put to me, even though it may contradict what many farmers think. However, the people analyzing the situation have pointed out that the Durum wheat has tended to be raised on land that ordinarily grows less per acre. Therefore there has been some subjective feeling that Durum produces less per acre. At the time, however, that we entered into the particular arrangement, world conditions had led to Durum going into a spiral that had no relationship to wheat because of its special use and the like. It was running in the order of \$2.50 to \$3 a bushel higher than Spring Wheat. We therefore put the domestic use price at \$5.75, which was close to what it was at that particular point in time, and allowed for escalation, \$1.75 above that to a maximum of \$7.50.

That \$1.75 was paid for from the Treasury, just like the maximum of \$1.75 on spring wheat. It means that the Treasury involvement in the case of Durum will exist so long as Durum is selling for above \$5.75. If it falls down to \$5.75 the Treasury will no longer be involved and the price can then vary downward toward \$3.25, according to world prices.

The Chairman: The price of Durum today is over \$7 a bushel. That is the Wheat Board's asking price. Is it kept that high because that is the world price for Durum today, or it it kept that high by the Wheat Board because they have nothing to sell?

Hon. Mr. Lang: They are basically prepared to offer some Durum and some Red Spring wheat. I think the world price does still reflect much of that difference. I cannot say. The Canadian Wheat Board would have to tell you whether their differential is exactly the same differential which exists in the world between spring wheat and Durum wheat right now.

The Chairman: The Canadian Wheat Board price for spring wheat is always about \$1 higher than the American price for spring wheat.

Hon. Mr. Lang: It may be higher, but not nearly that high. The variations are difficult because of the difference in quality, and also because the American prices are very often Chicago quoted prices, whereas the Canadian Wheat Board prices are Thunder Bay prices.

The Chairman: I think they quoted \$3.25.

Senator Lafond: Mr. Chairman, again, the application of this act would mean Durum wheat for domestic human consumption?

Hon. Mr. Lang: That is right.

Senator Lafond: Has the minister an estimate of the annual consumption in Canada of Durum wheat?

Hon. Mr. Lang: It is quite small. It is in that 68 million bushels. It is not a large amount.

Senctor Yuzyk: Could I ask the minister about subsidies. I assume that is a consumer subsidy?

Hon. Mr. Lang: Yes.

Senator Yuzyk: What is the present subsidy, as things stand now?

Hon. Mr. Lang: They are running at rates that apparently will not quite call on the maximum amount of up to \$120 million, about which we spoke earlier, because we have had some months in which grain loaded on ships was, on the average value, below the maximum figure for spring wheat, but much more so for Durum. I would not want to try to forecast next month's figures, because the loading-on-ship price will now depend upon the day on which the contract was made in relation to that loading, rather than the actual world price at that time. Prices have softened somewhat. I think the Canadian Wheat Board price is for 40, or in that order, for the best grade right now; so it is running 60 cents below the maximum figure for subsidy. We will only know in due course how much wheat is really being sold at those prices.

The reason we went to the ship loading figure was because the prices are very real, except in terms of the volume of wheat that is really sold at that price. If I do not

want to sell something, I put a very high price on it. If I sell a lot at a lower price, that is a more relevant figure.

Senator Yuzyk: Do you foresee that the subsidies will increase in the future?

Hon. Mr. Lang: No. We paid, really, the maximum in the previous year. Clearly, we will be under the maximum in the current year. How much under, I cannot predict, because of the movement of prices.

Senator Yuzyk: Regarding the price of bread, what advantage would there have been for the consumer had this subsidy not come into being?

Hon. Mr. Lang: The price of bread contains many other costs than grain itself. Indeed, grain is a modest part of the price of bread. It may be that wheat in a loaf of bread was held between 7½ cents and, say, 13 cents. At the \$3.25 price, Mr. Leggett tells me, we might calculate the value of wheat in the bread at 7.5 cents. So if wheat sold for nothing, it would lower the price of that loaf only 7.5. If there had been no subsidy, it might have been 13½ cents, so we are talking about a difference of six cents.

Senator Yuzyk: That is a considerable difference, particularly for the poor of this country.

Senator McDonald: Does this bill guarantee a stable price for bread to Canadians?

Hon. Mr. Lang: No. It cannot do that. It ensures that the wheat price element in bread cannot be used as a basis for raising prices. Other costs, of course, are subject to increases—costs of labour, everything from milling to baking and distributing, costs of packaging, and costs of yeast and other ingredients in the bread. These have caused some rises in price. The Food Prices Review Board has reviewed these and, indeed, has given good marks to the baking industry—I think it might do so even more to the milling industry—for having held any increases to actual increases in these other costs and in no way trying to include extra amounts for a non-existent increase in the price of wheat.

Senator McDonald: If wheat goes above \$5—I am speaking of the wheat input in a loaf of bread, other factors have no control—who would be subsidizing the consumer?

Hon. Mr. Lang: If wheat is over \$5, there is clearly an element where the farmer is receiving less from the consumer at that moment than he would if he were selling his wheat to the consumer at world prices. I tend to resist calling that a producer subsidy to the consumer, any more than we should call it a consumer subsidy to the producer if wheat is selling at \$3.25 and the world price is lower than \$3.25. This is really now a function of an arrangement or agreement which is to be considered reasonable in itself.

Senator McDonald: During that period, I think it was September 1973 when this first came into effect, up until April 1975, there was, in fact, some period when the producer was paying a subsidy to the Canadian consumer, is that right?

Hon. Mr. Lang: There was a period when the producer was getting less for his wheat than he would have been getting had he been able to offer it at the world price.

Senator McDonald: In actual fact, the producer was subsidizing the consumer. If I follow your argument, what

you are saying—and I do not want to put words in your mouth—is that when wheat is more than \$5 a bushel, the producers can, perhaps, afford to pay a little bit in the way of subsidization, whereas if wheat drops below \$3.25 a bushel, the Canadian consumer subsidizes the producer, offsetting the other situation.

Hon. Mr. Lang: I hesitate to use the word "subsidy." If you and I make an arrangement about a narrow range in the price at which I am going to sell you all that I produce, you may be happy with the arrangement when the price looks good to you, when the maximum is good and you are saving under it, and I might be happy when the minimum is good. The point is, we have a contract. Sometimes one benefits a little more under the contract and sometimes the other benefits more. The reason there is a contract is that we both thought is was a good deal at the time.

Senator McDonald: And only time will tell.

Hon. Mr. Lang: That is right.

Senator McDonald: There is provision to adjust that if it does get out of line.

Hon. Mr. Lang: That is right, recognizing, in a sense, that there are unusual factors which might be taken into consideration. It is no different than that which applies to a collective bargaining agreement. There may be a collective bargaining agreement between the employer and employees and in the middle of the year, if costs go up much more quickly than was anticipated, it might be decided not to wait until the end of the year to determine whether a different wage is appropriate.

The Chairman: It seems to me that the producer is concerned that when the price gets below \$3.25 a bushel, he is guaranteed \$3.25 a bushel on a very small portion of his production, and that guarantee is without a formula for escalation.

I do not know whether I am making myself clear, but I think the producers feel that they may be called upon—and they have been called upon already at one point, as Senator McDonald pointed out—to make a contribution to the consumer, and they do not have the assurance that the consumer of Canada is prepared to make any reasonable contribution to them at some point in the future.

Hon. Mr. Lang: If you want to talk in terms of subsidies, you have to recognize that from 1969 to 1973, Canadian consumers were paying around 25 cents a bushel more than the world price on all bushels produced in that period. The world price was around \$1.70 during that period, and the price in Canada was \$1.95. The first subsidy between these two groups, if you want to talk in those terms, was paid by the consumer to the producers. I do not like to talk in those terms; I prefer to talk in terms of some realism as far as prices are concerned.

The Chairman: It is a long time to 1980.

Senator McDonald: That would be in the period 1969 to 1973?

Hon. Mr. Lang: Yes.

The Chairman: If there are no other questions, I wish to thank the minister for his attendance.

I would ask the committee members to stay on for a few minutes as there is one item of business I wish to deal with in camera.

The committee continued in camera.

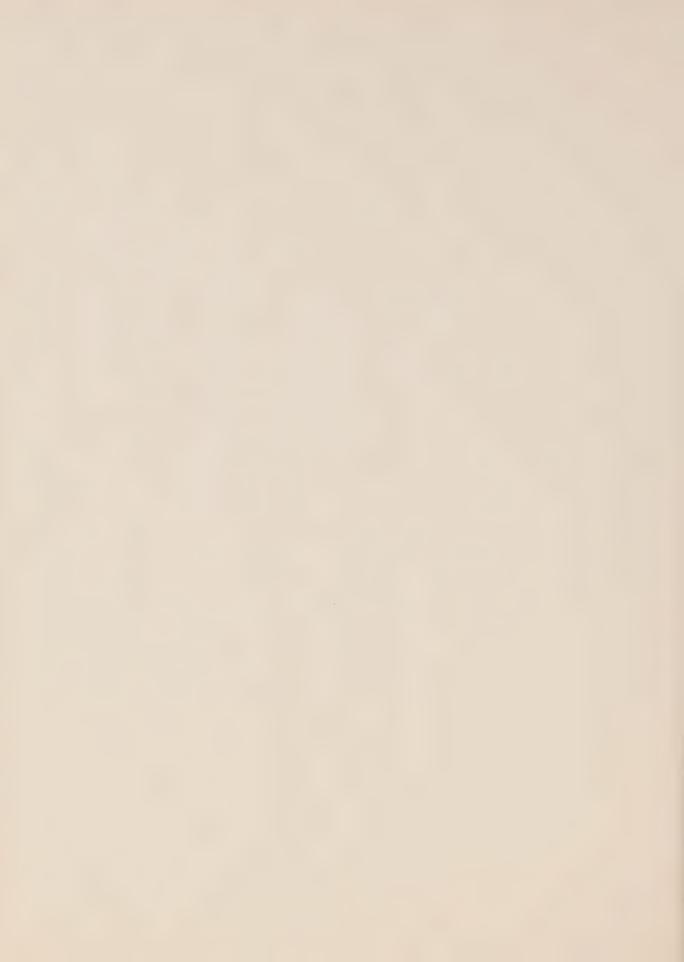












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FIRST SESSION—THIRTIETH PARLIAMENT 1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman



Issue No. 19

TUESDAY, JUNE 10, 1975

Examination of Crop Insurance Programs in Canada:

New Brunswick Crop Insurance Commission Saskatchewan Crop Insurance Board

(Witnesses and Appendix: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue McElman Blois McGrand Côté McNamara *Flynn Michaud Fournier (Restigouche- Molgat Gloucester) Norrie Greene *Perrault Haig Sparrow Hays Welch Williams Inman Lafond Yuzyk—(22) McDonald

*Ex officio members

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate.

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

That question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Tuesday, June 10, 1975

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 2:00 p.m. to further examine the Crop Insurance Programs in Canada.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Greene, Haig, Inman, Lafond, McDonald, McGrand, McNamara, Michaud, Molgat and Norrie. (12)

In attendance: Mr. Albert F. Chambers, Research Assistant to the Committee.

Witnesses:

New Brunswick Crop Insurance Commission:

Dr. C. E. Smith,

Chairman;

Mr. I. D. Steeves, General Manager.

Saskatchewan Crop Insurance Board:

Mr. Jim Webster,

Assistant Deputy Minister of Agriculture;

Mr. Lyle Minoque, Chairman:

Mr. J. E. B. Campbell,

General Manager.

Agriculture Canada:

(Crop Insurance Division)

Mr. G. M. Gorrell,

Director;

Mr. R. Reid;

Mr. M. Ross.

Upon Motion of the Honourable Senator McDonald, it was *Agreed* that a document intituled: "An Example of Payments made by Saskatchewan and Canada for Crop Insurance indemnities" be printed as Appendix "A" to these proceedings.

At 4:45 p.m. the Committee adjourned to the call of the Chairman. $\,$

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, June 10, 1975

The Standing Senate Committee on Agriculture met this day at 2 p.m. to examine the Crop Insurance Programs in Canada.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, first we hall hear the representatives from New Brunswick, and I shall introduce the representatives from Saskatchewan later.

We are delighted to have with us today Dr. C. E. Smith, Chairman of the New Brunswick Crop Insurance Commission. With him is Mr. I. D. Steeves, General Manager of the New Brunswick Crop Insurance Commission. I now call on Dr. Smith to make an opening statement, following which we shall have a general discussion.

Dr. C. E. Smith, Chairman, New Brunswick Crop Insurance Commission: Honourable senators, it is a pleasure for us to be here. We consider it a real opportunity to present some of our views in connection with crop insurance.

I might underline the fact that we are relatively new in the crop insurance business in New Brunswick, being one of the last provinces in Canada to start crop insurance. However, we have gained some experience and our paper today is based, at least in part, on that experience. Our general manager, Mr. Steeves, will be reading the paper, which we hope will give you an indication of some of the problems and some of the opportunities that we see for expansion of crop insurance in the province of New Brunswick. I will now turn the subject over to Mr. Steeves.

Mr. I. D. Steeves, General Manager, New Brunswick Crop Insurance Commission: Thank you, Dr. Smith.

Honourable senators, the federal Crop Insurance Act of 1959 is an act to provide for contributions and loans to a province in respect to legislation enacted by the province for a portion of the cost of production of a crop under the crop insurance scheme.

The New Brunswick Crop Insurance Act was passed in 1966 and is enabling legislation with respect to the federal Crop Insurance Act.

A regulation under this act was passed by Order in Council and made operative in 1974. This regulation establishes the Crop Insurance Commission and provides for the establishment of a plan for any crop which may be designated for crop insurance. This regulation also makes provision for an arbitration board to have exclusive jurisdiction to hear and determine all unsettled disputes arising between the commission and an insured person relative to the adjustment of a loss under a contract of insurance.

The crops covered by crop insurance in New Brunswick during the first year of operation in 1974 were strawber-

ries, apples, oats, barley, wheat and mixed grains, and approximately 200 farmers took advantage of the crop insurance program. The coverage provided under this amounted to \$560.000.

In 1975, potatoes and rutabagas have been added to the above commodities.

The New Brunswick Crop Insurance Commission has had very little difficulty in administering the provincial act and in general the first year of operation has progressed without serious difficulty. The estimate of expenditures from public funds for the commission during the first year of operation was \$75,000. This was found to be very inadequate due to severe winter injury to the strawberry crop in 1973-74 and an additional \$310,000 in special warrants was required to pay the indemnities for that plan. This demonstrates one of the weaknesses of the crop insurance program inasmuch as a province must be prepared to provide funds equal to the total amount of insurance in force for all insurance plans during any given year. This amount may be astronomical in relation to the ability of a province to provide for such funds.

The federal contribution for the above indemnities is approximately \$9,000, which represents slightly less than 3 per cent of the total expenditure. The administrative costs for each plan is shared equally between the provincial and federal governments. It is the opinion of the New Brunswick Crop Insurance Commission that such an imbalance in contributions creates severe hardships on provincial treasuries and that the provision of funds for such payouts should in fact be the responsibility of the federal treasury.

The agricultural commodities which are produced in New Brunswick are generally concentrated in a relatively small area. Adverse weather conditions can, therefore, have a serious effect on a very large percentage of the production of such a commodity, thus losing one of the principles of crop insurance, that of spreading the risk over a large area of land.

Potato production in New Brunswick is generally concentrated in the Upper Saint John River Valley, an area some 70 miles long and 20 miles wide. One severe storm is capable of destroying the entire crop, thus causing calamity to a potato insurance program.

Apple production in New Brunswick is concentrated in two small local areas in the Saint John River Valley. Thunder and hail storms have in the past caused severe damage within the entire area, and here again we are unable to spread the risk over large areas in the production of this crop.

Strawberry production is spread throughout more of the province, but the whole province is influenced by icing conditions, and frequently the entire strawberry crop is severely damaged through winter injury.

The total number of farmers in New Brunswick is very small when compared with the provinces in Central and Western Canada; hence we are unable to take advantage of spreading the risk of insurance through large numbers of insureds.

Of the three factors in crop insurance which contribute to reducing risk—that is, large areas of land, large numbers of insureds, and long periods of time—we in New Brunswick are enabled to effectively take advantage of only one, and that is time.

We would suggest that serious consideration be given for the designation of crops to be included in the crop insurance program which may be produced only on a regional basis. Among such crops, we would request that trees planted for the exclusive use of Christmas decorations be included under the federal Crop Insurance Act. Our blueberry producers have expressed, through their association, a desire to have that crop designated as a crop for insurance purposes. The New Brunswick Crop Insurance Commission respectfully requests that blueberries be accepted as a designated crop in 1976.

The federal act provides for assistance on "a portion of the cost of production" of any crop and has been made available as a voluntary program on the part of the producer. The efficient and good producer is reluctant to pay premiums for this type of insurance. He is certain that when his average production is reduced sufficiently to put him in a claim position, his less efficient counterpart will have suffered much greater loss and that public funds have been provided in the past for each of them. Each continuously lives in hopes of the utopia for high production and strong markets. Reports from 1974 indicate that had all potato producers in New Brunswick participated in a crop insurance program very few would have been eligible to receive indemnities at the 70 per cent production level. A voluntary program attracts the inefficient producer and repels the efficient operator.

In the loan provision of the federal act a province must first provide for 25 per cent of all indemnities in excess of current premium receipts and reserves, as well as an additional \$200,000. This latter amount makes the loan feature very undesirable for a small province and should in our opinion be eliminated from the loan provision. We would therefore request the amount in excess of 10 per cent of such losses be contributed by the federal treasury with no interest or repayment conditions.

Although the federal act provides for a reinsurance provision, the regulations and administration of the act interpret this as another loan, and as such requires a prepayment of 15 per cent of all premiums collected to participate in what amounts to a prepaid interest loan. We would therefore recommend, Mr. Chairman, that the reinsurance feature of the federal act be recinded and replaced by the loan provision as previously recommended.

While spot loss indemnities have not generally been considered acceptable to the Federal Crop Insurance Division, it is our opinion that some reimbursement must be made to farmers who have suffered severe or total loss to only a certain portion of their insured crop. The crop insurance program would become much more attractive to the well managed producers if this condition could be included in the contract of insurance.

While the federal Crop Insurance Act may have weaknesses, it is our belief that some form of a nationally

regulated assistance program for crop production, in times of climatic adversities, is essential. We would request that consideration be given to greater premium participation by the federal government for a small agricultural province such as New Brunswick because of our inability to spread the risk of crop insurance over large areas of land and large numbers of farmers.

As long as a crop insurance program is voluntary on the part of the producer, and as long as a farmer must pay large sums of money for premiums, the insureds, to a great extent, will be the smaller farmers, and in many instances the inefficient operators.

We would suggest that favourable consideration be given for the federal treasury to provide 75 per cent of the assessed premiums, the balance being provided by the province and the insured on a 15 per cent and 10 per cent basis.

Unless such provisions are provided by the two governments, a successful crop insurance program in New Brunswick is doomed to failure, and at no period of time in the insurance program is it likely to be self-sustaining.

A summary of the recommendations which we have made will be found on the final page of our submission, and they are as follows:

- (1) Christmas trees and blueberries be designated and accepted as crops for crop insurance purposes.
- (2) Ninety per cent of indemnities which exceed premium receipts and reserves to be contributed by the federal treasury.
- (3) Reinsurance provisions of the federal act to be recinded.
- (4) Spot loss indemnities to be considered acceptable as a loss and payouts to be made accordingly.
- (5) Federal treasury to provide 75 per cent of assessed premiums.

This brief, Mr. Chairman, is respectfully submitted to the committee on behalf of the New Brunswick Crop Insurance Commission.

The Chairman: Thank you, Mr. Steeves. I have one general question at this point. I know the answer is in the brief, but could you very briefly give us a summary of what is involved by way of indemnity payments by the individual and the contribution the federal government now makes towards premiums, if any, and so forth? I think I have a pretty clear picture of the allocation of the funds in the prairie provinces, but I would just like to get a picture of what happens in your instance.

Mr. Steeves: In New Brunswick we have an agreement, which has just been given to the federal personnel, as of this date, by which the federal government pays 25 per cent of all premiums collected plus 50 per cent of the administrative costs.

The Chairman: And the farmer pays 75 per cent of the premium?

Mr. Steeves: The province matches this 25 per cent of the premium plus 50 per cent of the administrative costs, with the farmer paying 50 per cent of the assessed premium.

The Chairman: Would it not be better to have the formula used, as I understand it, in Saskatchewan, of 50 per cent of the premium by the producer and 50 per cent by

the federal government, the province carrying the administrative costs?

Mr. Steeves: At the present time it has been the decision of our commission that while we remain a small insured area it is more beneficial to the province to accept 50 per cent of the administrative costs and 25 per cent of the premiums collected, rather than what has gone on in some of the other provinces. We think this is more beneficial to our province at the moment.

Senator McNamara: In dollars and cents what are the administrative costs, the 50 per cent?

Mr. Steeves: Our administrative costs are approximately \$50,000 and the premium receipts from the province are approximately \$27,000, of which the federal government will pay half.

Senctor Greene: I am a little concerned about your recommendation as to spot loss. Surely that involves somebody being the referee. How are you going to judge the sloppy farmer whose loss was caused because he was inefficient or lazy or planted the wrong crop? Somebody has to make a decision. Would your recommendation include that some civil servant be the referee to decide? Surely you do not recommend spot loss in the event that it is clearly incompetent farming that caused the loss?

Mr. Steeves: Absolutely not, but when a farmer has a spot loss from a cause over which he has absolutely no control, such as flooding, hail and this type of thing, I think it could be very easily administered. We would have very little difficulty in administering a program of this nature. Certainly inefficiency or anything that is induced by the farmer would not be covered as an indemnity.

Senator Greene: Loss by flooding or hail, something of that nature, normally affects an area rather than an individual farmer. Surely there are not many losses where one farmer is affected by hail and nobody else in the neighbourhood has a loss as a result?

Mr. Steeves: This is the very point that I am making. In our area our agriculture is concentrated in small localities, and a hailstorm would affect many of them. It may affect only five acres of one farm and ten acres of another, but it has a band. Certainly the farmer would be affected, and if he had 50 acres under crop and lost five, that is only a 10 per cent loss but 100 per cent on that five acres.

Senator Greene: Then perhaps it would be helpful if you would define for us what you mean by a spot loss.

Mr. Steeves: His loss on a minimum acreage that does not constitute 30 per cent of the total crop.

Dr. Smith: The point is that a potato farmer who has 125 acres of potatoes, which is a common situation, could conceivably have a section of his farm totally wiped out in a wash. There are certain times of the year when they are very susceptible to this, just after planting. Approximately from the time of planting until 15 or 20 days after planting they are susceptible to this kind of thing. Quite often there are some flash showers in the Upper Saint John River Valley, where we grow our potatoes, and farmers frequently suffer this kind of damage. It is a spot kind of damage on that farm. It is impossible for the farmer to isolate that area and not plant it; it would not be feasible for him to do so, considering the terrain and the area where he is growing the potatoes.

Senator Inman: I am interested in blueberries. Do they cultivate blueberries?

Mr. Steeves: Yes.

Senator Inman: What acreage would they cultivate?

Mr. Steeves: Approximately 1,000 acres on approved land. These are wild stands of blueberries that are managed by applying herbicides to control the weed growth that is there. This weed growth is eliminated through the use of herbicides so that there are pure stands of blueberries in the area.

Senator Greene: If we can separate your suggestion, let me ask this question. Suppose the federal government did not agree to pick up a bigger proportion of the tab, so that if we covered spot losses, as you suggest, the premiums of the farmers would go up, would it meet your demand that even if the premiums go up we cover spot losses? That will create more of a drain on the fund. It is fine if the federal government picks up the extra premium, but suppose the extra premium section of your brief were not approved by the government, so that in fact the premiums to the farmer would go up if spot loss were covered, would you still want it covered?

Mr. Steeves: I think under these circumstances it would make the crop insurance less acceptable to the farmer if the premium goes up and the spot losses are not covered. In the reverse, I think the farmer would be prepared to pay more for the premium if he knew that when he had a minimum acreage, such as 5 per cent, that was totally damaged, he would be paid for it. This would be more acceptable to the farmer.

The Chairman: We now have a type of spot loss insurance in Saskatchewan that covers hail, and it is certainly acceptable there. We shall be told about that a bit later. It is something that has been done in some provinces.

Senator McDonald: Were we not given evidence by both Alberta and Manitoba that they have spot loss programs for hail? Do the federal authorities have to accept the provision of spot loss insurance?

Mr. Steeves: Yes.

Senator McDonald: Why would they accept spot loss coverage for hail in both Alberta and Manitoba if they are not prepared to accept spot losses for similar catastrophes in New Brunswick?

Mr. Steeves: We are not singling out hail as a spot loss damage. If there were other perils, such as flooding, washing or something of this nature, we would want it all-inclusive.

Senator McDonald: I did not want to single out hail alone. I think I am familiar with the type of damage you are talking about, when a wash uncovers the potatoes. This is a similar catastrophe to hail, in that it happens—bingo—and there is really nothing you can do about it, whether you are a good or a poor farmer, I suspect.

Dr. Smith: I am not sure whether I am answering the question, but I think it would be possible to isolate the hazards we are faced with in potato production and other crops for spot loss consideration.

Senator Greene: Surely the answer to Senator McDonald's question is that the provincial governments in

Manitoba, Alberta and Saskatchewan requested this type of coverage in their program, whereas the New Brunswick government has not included it in their program.

The Chairman: We have here Mr. Gorrell of the Federal crop insurance office. Perhaps we could hear what he has to say on this point.

Mr. G. M. Gorrell, Director, Crop Insurance, Canada Department of Agriculture: Honourable senators, in the federal act there is nothing that prohibits payment on a spot loss basis. The only thing that is limited in the federal act is the total amount of insurance, and how that total amount is paid out is an administrative matter and is a federal responsibility. This is a thing the federal government is not prepared to develop and on occasion it has refused to participate in a spot loss, where there is no statistical data available on which to base a premium rate. We are underwriting all the risk and this is part of the structure of the act. In regard to the spot loss features, they have not had any research done on that, so there is no figure available on which to base a premium rate and, therefore, we cannot accept that as being an acceptable program. But there is a feature in this also, in that the spot loss is not in any way prohibited under the federal act.

Hail, of course, is something that has been known for years and has been insured for years. There are ample figures on which to base a premium rate for that. For this reason we can accept hail and spot loss.

Senator Greene: Did your spot loss programs in Alberta, Saskatchewan and Manitoba come about by reason of the provincial departments of agriculture requesting it, or did it come about by some other reason?

Dr. Smith: It started out as a provincial request to the federal government.

Senator McGrand: On page 5 of your brief you say:

As long as a crop insurance program is voluntary on the part of the producer, and as long as a farmer must pay large sums of money for premiums, the insureds to a great extent will be the smaller farmers and in many instances the inefficient operator.

I would like you to explain that a little more fully. I did not get the full meaning.

Mr. Steeves: Mr. Chairman, in selling our program, first of all, the first prerequisite is that the farmer must lose—the federal act says 20 per cent and many of our programs have it as anywhere from 60 to 80 per cent coverage—so he must lose from 20 to 40 per cent of the production previous to any indemnity being paid. The better farmers will tell us that they never lose that much and if they are going to pay a premium for this coverage, for having their crops insured, and then take that 20 per cent deductible risk on their own, they are not prepared to do so. The poorer farmer may observe this feature, and may say that last year he had a loss of 50 per cent and the year before he lost two-thirds, can say that he is going to be in a claim position and will buy the insurance, and this is the inefficient operation.

Senator McGrand: Thank you. You mentioned one storm that would destroy a large section of the potato crop. What kind of storm are you thinking of—hail, thunder, or what?

Mr. Steeves: Hail or thunder or rain—this type of thing. In the first part of June, just after the crop has been

planted, the storm follows the Saint John River right down the valley. Our area is 70 miles long by 20 miles wide, and the storm will follow the river and we can have a great deal of loss in the potato crop as a result of one storm.

Senator McGrand: That is the flood? Or the wash?

Mr. Steeves: The wash.

Senator Inman: Are they above the ground then?

Mr. Steeves: No, the ground is bare.

Senator McGrand: Do we have much hail loss in New Brunswick?

Dr. Smith: I think you can describe it this way. The average yield in New Brunswick of potatoes is 217 hundredweight but the average yield in the state of Maine is something like 250 hundredweight. It is very difficult to document this, you can appreciate, but I feel that the main difference between the yeild in the province of New Brunswick and the yield in the state of Maine is due to this washing factor, because the Saint John River valley is subject to this kind of situation, whereas the state of Maine is not subject to it. They are basically using the same production information, the same technique and the same variety, so I cannot isolate anything but this factor. I do think that is the reason.

Senator McGrand: I understand that. But that flooding and washing that occurs in the Saint John valley will not occur also over in Maine, because of the contour of the land. But when it comes to hail loss, how much hail loss would you have?

Dr. Smith: For hail, I would say very little of direct loss, because the crop itself will regrow.

Senator McGrand: I mean hail loss on crops other than potatoes.

Dr. Smith: Apples, strawberries, some other things. I have seen some cases of quite severe loss there.

Senator Michaud: Potatoes, through hail.

Dr. Smith: But the other activity associated with thunder storms does damage the potato crop specifically.

Senator McGrand: You mentioned what we call other root crops in New Brunswick—mangels turnips, and so on. What natural loss would you get for those crops? I can understand that in dry weather turnips improve the ground.

Mr. Steeves: There are two or three perils in connection with the rate of production, one is the crusting of the soil, just after seeding. There could be quite a severe rain storm and then with quick drying you will get the crusting through which the seed cannot emerge. In the fall you get freezing in the ground. And the hail will damage it also. Those are the main perils.

Senator Greene: Where do you reach the point where you can grow other things in this region of new Brunswick? We could grow bananas in Niagara if we thought the Government would pick up the tab if they did not grow. If you have programs that induce you to do things just because the government is picking up the tab, it is inducing you to have a loss. And if you have that loss, you are surely inducing an incentive to do the wrong thing. I

do not think that your statistics indicate that you have gone that far, but surely there is a point there.

Dr. Smith: If we compare the yield of potatoes in Ontario to the yield in New Brunswick, we come up with figures of 217 hundredweight in New Brunswick compared to 165 hundredweight in Ontario. I am sure you are not going to say that that means that the farmers should not grow potatoes in Ontario. So it is very difficult to answer that question directly. It is possible to make an income, and farmers have made a good livelihood on that kind of yield, with 217 hundredweight. Incidentally, this yield is gradually increasing and with the new technology they are becoming more efficient.

Senator Greene: But if they are going to be paid out of the insurance fund without becoming efficient, surely there will be a disincentive to improve?

Dr. Smith: I do not think so. All we are saying is that we have identified one of the hazards of production of potatoes in the area. I feel that these poeple could be in a position to share in this kind of protection. Surely it is ensuring the food supply of the nation, because traditionally New Brunswick and Prince Edward Island have supplied potatoes for the central provinces of Canada and I would say they are very efficient producers—in fact, the most efficient producers we have in Canada.

The Chairman: What is the premium rate?

Dr. Smith: It varies between \$10 and \$15 per acre, depending on what coverage the farmer takes and what variety.

The Chairman: What percentage of value would that be?

Dr. Smith: Eight to 10 per cent.

Senator Michaud: What is the total acreage for potatoes in New Brunswick now?

Dr. Smith: The intended acreage from Statistics Canada is 50,000 for 1975.

Senator Michaud: That is produced by how many growers?

Dr. Smith: Approximately 700.

Senator Michaud: Does the relationship between the number of growers who have insured through the crop insurance program and the acreage relate to the small growers who went for insurance this spring?

Mr. Steeves: No, I would not say that, but if our program remains as it is it will be the inefficient, small producer. But I am not specifically referring to potatoes in that program, because our potato program has not entirely been accepted by the growers. However, in our other grain programs it is generally the small operator who is insuring under our small grains program.

Senator Michaud: If I recall correctly, the people in Prince Edward Island reported to us at our last meeting that it was the big grower who was taking the crop insurance.

Dr. Smith: I believe that has just become true in the last year in Prince Edward Island, senator. I am not sure, but I think that is the situation.

Senator Michaud: Then it is mainly the bigger grower who takes the coverage in P.E.I.

Dr. Smith: I think it is a relatively new experience with them in that they are starting to experience that this year. I cannot tell you why there is that swing. Certainly, previous to that it was as Mr. Steeves has reported to you.

Senator Michaud: I understand the response you have had in New Brunswick this year, bearing in mind that this is your first year, is not necessarily from the bigger grower or the smaller but is a pretty general cross-section of them all.

Dr. Smith: We are just not selling crop insurance for potatoes in New Brunswick this year. That is our experience.

Mr. Steeves: We have sold approximately ten policies in potatoes this year.

Dr. Smith: The standard answer we get is the answer Mr. Steeves gave earlier: it does not pay them to participate in this, because in their experience in their production they have not had crop losses of 30 per cent or over.

The Chairman: And they can insure only up to 70 per cent.

Dr. Smith: Yes.

Senator McDonald: In the third paragraph on page 5 of your brief you mention the inefficient operator. However, if losses are caused by acts of God such as hail, drought, flood or wash-outs, how can an inefficient farmer be more drastically affected than an efficient farmer? How can the efficient farmer have less damage from that sort of thing than the inefficient farmer? I just do not follow the reasoning there.

Mr. Steeves: We guarantee production of so many pounds per acre or other measure. If the farmer does not receive that yield, he may say that it was too wet, too dry, too cold or too hot. In that event it is difficult to determine if there is nothing absolutely visible to attach this loss to, except that we know the rainfall, we know the soil type and that sort of thing. We know his date of planting. He may be right on the borderline of the last date of planting. We take into account all of these practices. The farmer may never be ahead of time. We do not, for instance, say that a man must plant on summer fallow. We have no difference in rating for sod lands or for spring ploughing or for all ploughing or that sort of thing. But you get these inefficient operators doing all of these things right at the very last minute. They are always behind the eight ball. They are always, as we term it, the inefficient operators. They get reduced yields and they do not get things done on

Senator McDonald: If the federal government were to adopt your recommendations, would that not be a further encouragement to the inefficient farmer to become more inefficient?

Mr. Steeves: Yes, but we have the efficient operator as well, and this is what we are saying here. We are insuring a group which knows they are going to be making claims but are not going to come in with us because it is not feasible for them to do so. We have a percentage of inefficient operators and our risk is very much greater with that type of person than it is with the other.

Senator McDonald: If possible, I take it you would want to weed out some of the inefficient people and insure only the best farmers.

Mr. Steeves: Absolutely.

Senator McDonald: How do you handle the sale of crop insurance in the province?

Mr. Steeves: We have salesmen. We advertise in the press and on radio, and we have salesmen making individual, personal calls.

Senator McDonald: Are these salesmen civil servants?

Mr. Steeves: Yes, they are per diem civil servants.

Senator McDonald: They are only part-time?

Mr. Steeves: Except that we have a sales supervisor who has a group under him.

Senator McDonald: In addition to selling the insurance, do they also service the policyholder if there is a claim?

Mr. Steeves: Yes, they service the policies in that if there is a loss they notify their salesmen or the office, whichever way, and then the supervisor conducts the adjustment.

Senator McDonald: Are these people residents of the local area—for instance, retired farmers or people who had at one time been associated with farming?

Mr. Steeves: All of our sales people are agriculturally oriented.

The Chairman: How many do you have?

Mr. Steeves: At the moment we have five.

The Chairman: It seems to me that other provinces are either expanding coverage or reducing their premiums, depending upon the individual experience so far as crop losses are concerned. If you feel that there are people taking advantage of the policy, could there not be some form of discouragement by way of additional premiums or reduced coverage? On the other hand, of course, there might be an encouragement to those who have had a good experience.

Mr. Steeves: Yes, Mr. Chairman, we have this in our grains policy, where the individual who has not made claims has increased protection following those years.

The Chairman: So some of your problems may work themselves out over a period of time. After all, you are pretty well brand new. If a smart farmer comes along and sees a new thing, it is only smart of him to take advantage of it.

Senator McDonald: Have you had only one year's experience?

Mr. Steeves: Actually, 1975 is our second year.

Dr. Smith: This is the first year with respect to potato crops.

Senator McDonald: I think you are right, Mr. Chairman, that if we look at the record of crop insurance programs which have been in existence for many years in other provinces, we will see that they have improved their programs as they have gained experience. Certainly, this policy of either giving greater coverage or reducing the premium for those who have no claim, has, in my view, been a great advertisement for crop insurance and has brought many people into the program who would not have been in it had it not been for these provisions. How-

ever, I can quite understand that it is impossible for you to do this in one year.

Mr. Steeves: We have had this in our grain program right from the beginning.

Senator McDonald: Is it possible to extend that to the other principal crops—for instance, potatoes? You do not have that many potato producers covered at the moment.

Mr. Steeves: No. This is right.

Senator McDonald: Do you think, if you extended that provision to them, that you might get more potato farmers interested?

Mr. Steeves: Not with their present attitude. I do not think we can, even if we go up to the 80 per cent production level. They say, "We do not lose that many potatoes. It is not in our production that we lose that many; it is in our storage that we lose them." Had we had crop insurance on potatoes last year, to the extent that every one of our farmers growing potatoes had been insured, we would have had something less than 50 claims in, and yet it was a very serious loss to any farmers. I think you know that representations have been made to the federal government for assistance.

Senator Michaud: Would you be in a position to say, sir, if, in that respect, the insurance plan in New Brunswick is that much different from the one they had been following in Prince Edward Island?

Mr. Steeves: It is very similar. They are both patterned on each other.

Senator Michaud: Well, in that respect, that is one point that is not entirely clear in my mind. That was not brought up as an objection from the Prince Edward Island insurance commission.

Dr. Smith: I think in the early stages they had problems. They have gradually increased the number of policies each year. I believe that has been their experience in Prince Edward Island.

Senator Michaud: I think their problem at the present time is to interest the small farmer, the small producer. The big producers and the corporate farmers are pretty well sold on the insurance idea, and they are taking it.

Dr. Smith: I am not sure of the Prince Edward Island figures, but the position is approximately this: the average potato farmer in Prince Edward Island is growing 30 acres of potatoes, and they are looking at a situation where I think they have something in the order of 3,000 growers. The average grower in New Brunswick has 150 acres of potatoes, and we are looking at a situation where we have 700 growers so it is a little different. When they refer to a small grower they are probably talking of a fellow who has 15 or 20 acres.

Senator Michaud: That is what they told us, that the small farmer did not seem to be as interested as the big grower.

Dr. Smith: A small grower in New Brunswick would be one of the larger family operator-growers in Prince Edward Island.

Senator Greene: Do your suggestions have the benediction of the provincial government?

Dr. Smith: Yes.

Senator Greene: Because the increase in federal government contributions, as I understand it, will be taken into consideration in allotting equalization payments under the financial formula for equalization payments. The more the federal government pays here the less they are going to pay in equalization grants. I was concerned that the provincial government might say, "Well, you are not going to lessen our equalization grants by the fact that you are now paying an extra 'X' hundred thousand dollars into the crop insurance plan."

It is really a diversion of some of the money that goes to the provinces via this channel, and gives less flexibility in using the money as they do, in equalization grants over which they have complete control. So if in fact they approved this, the Treasury, I think, would feel much better about it and extend a tacit admission to the effect that, "We will extend equalization grants by this much if the province will approve it." It would make it easier to get your request for a 75 per cent contribution if the provincial government were in favour of doing this.

Dr. Smith: To my knowledge, that was not considered in their presentation.

Senator McGrand: I want to inquire about someting that interests me. After grain—oats, for example—heads out, just before it starts to ripen, you sometimes get a heavy rain which causes them to fall. Do you have much of that in crop insurance?

Dr. Smith: I did not get the latter part of your question.

Senator McGrand: I always thought that when oats head out, and then a heavy wind, with rain, beats them down, that was one of the greatest dangers that we ran into with regard to grain in New Brunswick. Do you have much of that in crop insurance?

Mr. Steeves: Actually, Mr. Chairman, this is always a problem. It depends upon rainfall, immediately, and the time of year, and some years it is very serious. Here again, the grain goes down, it does not fill out properly, you cannot harvest it, and certainly this is an insured peril. It is one of the hazards with which we are always faced, and it depends entirely on conditions at the time. It depends on the area, it depends on whether the rain in question is a shower, or continuous rain, and this sort of thing; but certainly it is always a consideration that takes its toll.

Senator McGrand: And, of course, it will vary from year to year.

Mr. Steeves: Yes.

Senator McGrand: Would the assessing of that be one of the major problems in crop insurance?

Mr. Steeves: It very definitely is a very serious consideration. Some years it will be much more major than others.

Dr. Smith: In the short time we have been in business our success with grain has been good. Our pay-out has been rather small.

The Chairman: Are there any other comments at this point?

Senator Michaud: Are we to come to the conclusion now that New Brunswick, first of all, on account of its limited number of producers, and, secondly, on account of the concentration of those growers in small areas, ends up in a particular situation which is altogether different from other provinces?

Mr. Steeves: Well, in insurance risks we have three factors: area, time and people. The only one that we have in our favour in New Brunswick is time. The other two are concentrated in small areas where we are subjected to intensive storms. We are also very few in terms of people; there are few farmers. Here again you do not have the large masses to enable you to spread the risk.

Senator Michaud: And the point you are making is that on account of those two latter factors, mainly, a situation is created which is somewhat different from that of the other provinces, where they have a larger number of producers and a larger area where those producers happen to be located.

Mr. Steeves: The risk is much greater in our province than in other area where you have large areas of land and large numbers of farmers.

Dr. Smith: The potato crop, for example, is concentrated in the counties of Carleton, Victoria and Madawaska, and you are looking at a situation in which approximately 80 to 85 per cent of the production is concentrated in those three counties. That happens, furthermore, to be in the Saint John River Valley, which is subject to—

Senator Michaud: My point is that for those reasons I can see the problem as it concerns the province of New Brunswick in that regard. It is a peculiar problem.

The Chairman: I think it is fair to say, honourable senators, that there seems to be a kind of theme running through the presentations we have had from the Maritime provinces, namely, that they have particular difficulties in getting a program going because of the smallness of the provinces. I would just quote from the record what Mr. R. B. McInnis, Manager of the Prince Edward Island Crop Insurance Agency, said to the committee, just one sentence:

The following are a few of the concerns we have on P.E.I. about our present program: first, the federal government should introduce a re-insurance program for the smaller provinces.

There may be just a particular problem for the Maritimes because of some of the factors you talked about, and I think when we start looking at the evidence we have heard we should have a further look at this particular thing. That is a kind of central theme going through the submissions of the Maritime provinces.

Our agricultural research assistant, Mr. Chambers, indicated that he had a couple of questions.

Mr. Albert Chambers, Research Assistant to the Committee: Could you give us more detail on your first recommendation concerning Christmas trees? When Nova Scotia came before the committee they recommended that Christmas trees and woodlots should be covered, and they gave us some information as to which perils in each case should be covered. Can you give us an indication as to what you think about this?

Mr. Steeves: In our Christmas tree program, certainly as an introductory program we would only want the cultivated stands to be covered. The perils are generally frost, fire an disease, covering approximately 1,000 acres of cultivated stands at the present time.

- **Mr. Chambers:** Have you given any consideration to insuring woodlots as opposed to Christmas tree stands?
- **Mr. Steeves:** No, we have not, because the Christmas tree stand is a cultivated crop, whereas the woodlot, in our opinion, is a wild stand and receives very little attention from the farmer except at the harvest period.
- Mr. Chambers: Concerning the blueberry crop, if I remember correctly there was a certain problem with wildlife so far as blueberries are concerned. Are you considering spot loss in that relationship, or what ideas do you have on wildlife damage? Should it be an insurable peril?
- Mr. Steeves: In our opinion it is an insurable peril. If we guarantee production and the birdlife consumes that production, then the farmer has not harvested, and, as such, it should be an insured peril.
- **Mr. Chambers:** Are there any federal-provincial agreements at the moment which cover wildlife damage in New Brunswick? I know there are with the Prairie provinces.
- Mr. Steeves: All of our plans at the present time do carry wildlife as an insured peril.
- Mr. Chambers: Is there an agreement that would cover blueberries at the moment with respect to wildlife damage? That is, outside of crop insurance.
 - Mr. Steeves: I cannot answer that question.

Senator Greene: We have had several relief programs when things got very bad. Have you done any research at all to show how much more money the paying of the 75 per cent would take from the average of the federal money put into relief programs? I think you can argue that this is a better way to use federal money in an insurance scheme than by merely bailing them out when they get into trouble.

Dr. Smith: I think most of the federal money that has been paid to date would be paid under the Agricultural Stabilization Act which is to compensate for lack of market for the product, so that crop insurance is yet another consideration.

Senator Inman: Speaking of blueberries, apart from fire, what are the other perils involved?

Mr. Steeves: Wildlife and frost. From the point of view of loss, frost is one of the biggest perils we have in blueberry production. For example, the blueberries are in full bloom right now, but we had some frost in some regions of New Brunswick last night so you can see that frost is definitely a hazard.

Senator Greene: May I ask a question of one of the officials? Is the underwriting of the program done on a provincial basis, that is to say, horizontally and paying across crops, or is, for example, potato insurance underwritten in its own right?

Mr. Gorrell: Each commodity is insured separately. In certain provinces the area of the province is actually cut up into smaller segments. In New Brunswick it is all in one area. Each commodity is insured separately, but based on the risks that affect that particular commodity.

Senator Greene: So, apart from the Prairies, they are really very small insurance areas. They are not really broad enough to stand on their own feet for insurance. It

is rather like having an insurance company that will only insure eight-storey houses.

Mr. Gorrell: Yes, and this means that the risk is certainly higher.

Senator Fournier (Restigouche-Gloucester): If Christmas trees and blueberries were covered, would that cover more areas and more people than the potato insurance does?

Mr. Steeves: In our Christmas tree producing areas we have much more of the province involved and in our blueberry production we have several areas involved, which means that with the exception of our grain crop much more of the province is involved.

Dr. Smith: But the numbers would still be very small.

Senator Fournier (Restigouche-Gloucester): How about grain?

Dr. Smith: Well, grain production amounts to something in the order of 70,000 acres, and it is concentrated in the three counties where we grow potatoes.

Senator Fournier (Restigouche-Gloucester): I know that the potato crop is now confined to a very small area of the province, although in the past some parts of northern New Brunswick and eastern New Brunswick were, I think, cultivating more potatoes than either Carleton or Victoria Counties, and here I have in mind counties like Kent and Gloucester, but they do not do that any more. Do you know the reasons for this?

Dr. Smith: Well, going back to the years 1939 to 1945, it is true that production was more dispersed than it is at the present time, but with the starting up of processing, and this was around 1952, the production became concentrated in the counties where the plants were located. In addition, we have since lost many small farms and practically all of those farms had an acre or two of potatoes, and that too has accounted for the decline. Taking grain, for example, in 1939 ou grain acreage was 150,000 acres, and that is now down to 60,000 acres. The grain production we had was associated with small farms where they had ten or fifteen head of cattle and so they grew some grain. But those farms are now out of existence, and this is what is happening not only in New Brunswick but in Canada generally: the small mixed farm has gone out of existence and we have lost a lot of production.

Senator McDonald: What happened to that land when these farms went out of production? What is it doing now?

Dr. Smith: We would like to see more Christmas trees grown there, if we could get a few programs going which would stimulate and encourage production. We have some very exciting programs to produce Christmas trees, using nursery stock—planting some of these fields and growing improved types of Christmas trees. Surely, when you do this, there is a fair amount of capital investment and labour involved. Obviously it is a much different kind of culture than we had in the past, when we simply went out and cut a small tree from a wood lot and called it a Christmas tree. These trees are grown as Christmas trees. They are grown for that purpose.

Senator McDonald: Will that land grow grass for hay?

Dr. Smith: Yes; you can grow grass anywhere in the Maritimes.

Senator McDonald: How many cattle do you have in New Brunswick?

The Chairman: Not enough!

Senator McGrand: Mr. Chairman, I did not hear the answer to Senator McDonald's question.

Mr. Steeves: One hundred and sixteen thousand head.

Senator McDonald: In the province?

Mr. Steeves: Yes.

Senator Greene: Just one small ranch! If the federal government is going to pay 75 per cent of my premiums and 70 per cent of my losses, what is to prevent me from getting some land—which I know will not be very good and will not work—of which the premiums cost me nothing, and every year I will collect 70 per cent losses on what would have been my entire crop had it been decent land. When you do not pay the premiums yourself, does it not lead to an incentive—there are a lot of rogues outside of this room—to take advantage of it? We had an experience with PFAA for many years, and the same people collected every year.

The Chairman: They never farmed to get \$800. Not one farmer in Saskatchewan refused to farm in order to get \$800 from the PFAA. People collected it year after year in areas where there was no crop.

Mr. Steeves: Mr. Chairman, I would say this problem could very easily be handled in administration, particularly in the small areas where we know the people and the areas in which they operate, and we can observe them by driving down the road. If they are not farming it, certainly they would not be collecting premiums. We have, in all of our plans, a stipulation that they must farm in a husband-like manner.

Senator Greene: Have you ever turned down an application for insurance?

Mr. Steeves: Yes, we have, because we knew they were not farmers, and we would not accept them because they were not good farmers. In our potato program this year we have turned down a fair number of people because they did not use the proper type of seed; they did not use certified seed. That is one of the stipulations.

Senator Greene: Your answer, really, is the integrity and impeccable judgment of the public officials who administer this against the thieves—

Mr. Steeves: Certainly regulations could be made. Although they are not written at the present time, it is in the back of all or our minds that the insurance of anyone who makes three claims in three consecutive years would be seriously considered by the commission.

Senator Greene: Under PFAA we had six years-

The Chairman: I still come back to the point that they did not farm for PFAA. There may be some other reasons.

Senator Greene: If they had not got PFAA, they might have planted—

The Chairman: The Farm Credit Corporation had a loss—I believe the figure was given to us—of 24 cents out of \$1,000.

Senator McDonald: Point four cents per 100.

Senator Greene: That is their own money.

The Chairman: From my observation of the farmers I know, the vast majority of them farm to the best of their ability, they have the greatest amount of integrity, and I do not think we should overdo it looking for culprits, looking for people who do not exist.

Senator Greene: But a lot of well-meaning programs have ended up being to the benefit of large corporate owners—particularly in the United States rather than here. They have taken most of the money out of the till and they are persons for whom most of the program was not conceived in the first place.

Dr. Smith: It is fair to say that the average potato farmer—we are concerned about the potato industry in New Brunswick because it is important to our economy—probably has a capital investment of \$200,000. You will not have too many people come out of the woodwork with \$200,000, and set themselves up as potato farmers. I think we are pretty well protected.

Senctor Greene: In your judgment, which I accept, you are saying that the fact that they pay very little of the premium, they are not liable to the disincentive of good practices. What about at the official level? When the plan was first conceived, I do not think the farmer wanted to be on a federal welfare hand-out basis. The insurance scheme had to be his scheme and he wanted to be self-sufficient to the largest possible degree. He did not want to feel he was the recipient of government hand-outs. He did not want that. That was the advantage of crop insurance over PFAA. Is there a point of no return, in foisting individual responsibility upon the farmer rather than upon the Treasury?

Mr. Gorrell: It is my personal feeling that there is. It is only a personal feeling. We have gone about as far as we can go. To be honest, I have not really thought about it. I cannot help but fell there is a point of no return. We would be coming very close to a welfare program if we went to those lengths. I would have to give it serious thought.

Senctor Greene: That is why we broke it up in an administrative sense—it being paid for by the Treasury. They were under our control. The farmer had no control over the administrative expenses. The actual underwriting should be as close to a capitalist enterprise in the same game. We should try to run it as private industry would do, so that it is an insurance scheme and not a welfare scheme.

The Chairman: I think we are getting into the question of semantics to some extent. We have a grain stabilization bill with which the committee will be dealing within the next few weeks. For every \$1 the farmer puts in, the government puts in \$2. I do not see anything sacrosanct about a 50-50 split. I am not against looking at the Treasury taking on a somewhat larger share than it is now, if it will enable the Maritime provinces to get off the ground with crop insurance and do a good job. I do not have a closed mind about changing the situation. Certainly there is a point beyond which we cannot go, but I do not think we have arrived at it yet.

I propose to adjourn the New Brunswick session of this discussion—

Senator Michaud: One final point, Mr. Chairman. In summing up the gist of the discussion, from the observa-

tions of our witnesses from New Brunswick, can we assume that due to conditions which are common to the three Maritime provinces, in order to be able to sustain a viable and adequate crop insurance program, those three provinces would need more federal assistance? That is the main thrust of your submission this afternoon, as I understand it.

Mr. Steeves: Yes.

The Chairman: Are there any other comments?

Thank you very much, gentlemen, for an excellent presentation, and I hope that some of your recommendations will find their way into our final report.

Mr. Steeves: Thank you for inviting us.

The Chairman: We are very happy to have you.

I am now delighted to call on our representatives from Saskatchewan. We have here Mr. Jim Webster, the Assistant Deputy Minister of Agriculture, Mr. Lyle Minogue, Chairman of the Saskatchewan Crop Insurance Board, and Mr. J. E. B. Campbell, General Manager of the board. Mr. Minogue, the Chairman of the Saskatchewan Crop Insurance Board, will present their statement. Before he does so, I should like to say that I met him a long time ago, as far back as 1962, and perhaps earlier. I had the privilege of buying a horse from him, a lovely palomino mare, since gone to her reward.

Senator Greene: Two days after you bought her?

The Chairman: No, no. She had a beautiful colt a few months after we bought her, and we still have that colt, so we still have a part of Flicka with us. If all my ventures were as good as that one, I would be very pleased.

Without any further ado, I will call on Mr. Minogue to make the Saskatchewan presentation.

Mr. Lyle Minogue, Chairman, Saskatchewan Crop Insurance Board: Mr. Chairman and honourable senators, I would first like to take this opportunity to thank the Standing Senate Committee on Agriculture for giving the Saskatchewan Crop Insurance Board this opportunity to meet with you and discuss what we consider to be a very important program in Saskatchewan. Our board is extremely proud of the Crop Insurance Program, and we feel that it is an excellent example of what federal and provincial governments can do working in co-operation for the betterment of farmers. I think there are thousands of Saskatchewan farmers who agree with us in saying that the Crop Insurance Program is one of the best programs we have in our province at this time.

Senator Greene: I hope you have been saying that in Saskatchewan during the past three weeks.

The Chairman: We are not discussing any events that may be taking place in Saskatchewan in the very near future.

Mr. Minogue: Related to events in Saskatchewan in the very near future, may I say that we have a slight problem that I would like to discuss with you briefly for a moment. We arranged the date of this meeting approximately a month ago, and shortly after we arranged the date an election was announced in Saskatchewan. That election will be taking place tomorrow. In the province the Elections Act prohibits any advertising by government departments or agencies, or any presentation in the media and so

on, that might influence an election in any way. With the agreement of your committee, Mr. Chairman, we would like to ask the press to hold back any releases that may come from this meeting until the morning of Thursday, June 12, which would be shortly after our election is over. We feel it would be inappropriate if we came out with any information of any significant nature on the day of the election.

The Chiarman: I do not think we can give that assurance on behalf of the press. However, on looking around, I think there is only one representative of the press here, Mr. George Price of the CBC, who I am very happy is here. He is one of the best reporters in Ottawa, and I think he will use every discretion. I would not think you have anything to fear. However, under the technicalities of the act itself, this is a Senate committee of Parliament, so it is very much in order to say anything you care to say about your act, and the newspapers are in order and within the law to report although you cannot advertise. However, I think you can have confidence that your comments here will be treated with discretion, and you really have nothing to worry about. I think you can be just as frank the day before the election as you could be the day after.

Mr. Minogue: Thank you, Mr. Chairman.

Senctor Greene: You can elaborate on the value of federal-provincial co-operation!

Mr. Minogue: I would now like to present our brief formal presentation on our program in Saskatchewan.

The primary objective of the Saskatchewan Crop Insurance Board is to make available to all farmers of the province, at the lowest possible cost, a comprehensive all-risk crop insurance plan, which in years of heavy crop loss will assure them, on an individual basis, of a level of income to meet average costs of crop production insofar as market conditions permit, and thus provide a stabilizing effect on farm income, both for the individual farmer and the rural economy in general.

Some of the features of the program I would like you to be aware of are as follows. First is our crops insurable—spring wheat, durum wheat, utility wheat, barley, oats, rapeseed, flax, fall rye, tame mustard and sunflowers. Unseeded summerfallow acreage insurance coverage is also available for the purpose of guaranteeing a return on summerfallow acreage intended for seeding, but which the insured is unable to seed because of excess moisture conditions.

Secondly, the type of insurance. A guaranteed production in bushels for the total acreage of each insured crop on the individual farm unit. Each crop is insured separately and losses on each crop are adjusting without regard to production from other insured crops.

We have quality insurance. Losses due to low quality are taken into account in the determination of loss of production for each insured crop, according to the guaranteed grade established for each insurable crop.

We have different levels of coverage. A choice of either 60 per cent or 70 per cent of the past 15 year average yield as determined for each crop insurance risk area in bushels per acre is offered on each insured crop. A higher coverage is offered on summerfallow crop than on stubble crop.

Our price per bushel options offer a choice of two price per bushel values on which to base premium charges and indemnity payments in dollar value. The insured therefore has four coverage options from which to select a coverage which will most closely meet his requirements as to a guaranteed return from each insured crop planted.

With respect to the calculation of coverages and premium rates, the province has been divided into 23 risk areas for crop insurance purposes in an attempt to provide bushel coverage and premium rates for each crop in accordance with crop yield history and risks common to each area. The average yield for each crop is determined for each risk area, and the premium rate is calculated by a formula making use of cropping history and variability in yield within the area for the past 25 years. Actual crop insurance loss experience is incorporated into the rate calculation as it becomes available.

A soil productivity index has been established for each quarter section in the province, and bushel coverage and premium rate is established for each quarter section within the risk area on the basis of the productive ability of the soil.

With respect to coverage adjustment, basic coverages for the land operated by each insured are established according to the long-term average yield for the risk area. As each individual insured farmer accumulates crop insurance experience on a particular crop the coverage for that crop is either increased or decreased according to his loss experience. This feature is intended to relate coverage more closely to the actual yields of the individual farm.

The good experience premium discounts feature is also an attempt to recognize differences in risk between individual farmers. Each year an insured participates in the program with no claim his premium is reduced according to a discount schedule until a maximum discount of 50 per cent is reached after eleven no loss years. When losses are experienced this discount is adjusted accordingly, but can never fall below a zero discount.

The good experience discount and the coverage adjustment feature in combination result in a higher coverage at a reduced rate for those farmers who prove to be low risks in the program, and conversely result in lower coverage and an increased rate for those farmers who prove to be high risks in the program. The result of these two features is the provision of individual coverage and rate according to crop insurance loss experience, which hasproven to be very acceptable to insured farmers.

Next is hail spot loss benefit. This additional benefit provides for spot loss adjustment and indemnity payments according to the amount of hail damage to individual fields or portions of fields of an insured crop without regard for the overall production finally harvested from the total acreage insured. Coverage for hail damage is equivalent to the yield loss coverage selected by the insured for each crop. Total indemnities paid as a result of hail spot loss and yield loss combined are limited to the total crop insurance coverage on the crop.

Unseeded summer fallow acreage insurance is an option which must be selected before April 30 in the same way as coverage is selected for a crop. This option provides a guarantee of \$20 per acre on those acres in excess of 20 per cent of the total acres of summer fallow which the insured cannot seed by June 25 because of excessive moisture conditions.

Participation in the program. The following figures are presented to indicate the increased participation in the crop insurance program in Saskatchewan which has

resulted from program improvements which have been initiated during the past four years.

	1972	1973	1974	1975
Insured Farmers	11,844	23,909	30,870	40,000
Insured Acreage	2,588,182	7,235,666	9,718,326	13,000,000
Liability	\$29,840,000	\$140,436,000	\$290,484,000	\$415,000,000
Premium Revenue	\$ 2,773,000	\$ 15,198,000	\$ 30,500,000	\$ 42,000,000
Claims Paid	1,654	8,484	23,000	ethilite to a
Total Indemnities	\$ 1,189,473	\$ 7,688,655	\$ 32,000,000	

You can examine those figures in which you are particularly interested. I think you will agree that we experienced a tremendous growth in the last few years. We now have a very large percentage of the farmers in the province in our program.

I should point out here that the projected figures for 1975 are based on 10,000 new applications for crop insurance in 1975, which should result in a net increase of approximately 9,000 contract holders for 1975.

In 1974 approximately 83 per cent of the insured farmers selected coverage at the 70 per cent of average yield option in order to provide higher bushel coverage. Approximately 68 per cent of the total selected the higher price per bushel option available. It is estimated that in 1975 approximately 64 per cent of the eligible grain producers in the province will be insured under the program with coverage on approximately 55 per cent of the acreage seeded to insurable crops in the province.

Effectiveness of the program. The above statistics would seem to indicate that the crop insurance program is becoming increasingly acceptable to the Saskatchewan farmers. Factors responsible for the increased acceptability and effectiveness of the program are considered by the Board to be (a) the revisions to the crop insurance agreement whereby the Government of Canada premium contributions were increased to 50 per cent of the total premium, and the administration costs are provided for in total by the government of Saskatchewan; (b) improvements in the program incorporated by the Board during the past few years, for example, increase in the number of crops insurable from four to ten; increase in coverage level options offered; expansion of the program to all areas of the province; incorporation of hail spot loss benefit into the total package offered; and the provision of individual coverage adjustment for each insurable crop based on crop insurance loss experience.

The Saskatchewan Crop Insurance Board is of the opinion that the program should be expanded to provide coverage on additional crops such as forage crops, specialty crops, and irrigated crops as statistics become available on which to base actuarially sound insurance programs. The Board also feels that time is required to accurately analyse and assess the effect of the many revisions to the program which have been implemented during the past year or two, in so far as the actuarial soundness of the program is concerned.

During the years in which the program has been in operation in Saskatchewan, 1961 to 1974, total revenues collected by the Board have amounted to approximately \$59,000,000. Total indemnity payments to insured farmers have amounted to approximately \$44,000,000, leaving approximately \$15,000,000 in reserve, practically all of which is in the reinsurance funds. The Saskatchewan crop

insurance fund has been depleted due to indemnity payments on the 1974 crops insured.

These figures would seem to indicate that the crop insurance program in Saskatchewan has been effective in providing a considerable measure of income stability to Saskatchewan farmers, and the rural economy in general, particularly in the years 1973 and 1974 when a total in excess of \$40,000,000 has been returned to insured farmers throughout the province as indemnity payments for loss of production.

Administration of the program. In administering the crop insurance program in Saskatchewan, the Saskatchewan Crop Insurance Board has adopted the concept of regionalization as implemented by the Saskatchewan Department of Agriculture, whereby the head office of the Board is located in Regina and six regional field supervisor offices have been located in conjunction with the Department of Agriculture regional headquarters located in Weyburn, Swift Current, Yorkton, Kindersley, Tisdale and North Battleford. Within each of the six regions crop insurance area offices have been established to service insured farmers in designated areas. There are a total of 32 such offices located in rural communities including the six regional centres. Servicing of contracts and crop loss adjustments are carried out by crop insurance fieldmen, who are generally local farmers who have been provided with training, and have agreed to provide their services to the Board on a day-to-day basis as required.

This type of organizational structure provides the flexibility necessary to service the large number of insureds under any given set of crop conditions, and has proven to be a satisfactory method of providing service. An additional benefit derived from this method of administering the program is the provision of employment of local farmers.

The fact that the federal-provincial crop insurance agreements provide for the provinces to administer their own crop insurance programs is highly desirable in that it permits each province to design programs and administrative procedures which most effectively meet the needs of producers within that province. The Saskatchewan Crop Insurance Board would be reluctant to agree to more federal government involvement in the administration of crop insurance programs within the provinces.

The following are our suggestions for improvements, amendments or changes to the program. The Saskatchewan Crop Insurance Board is pleased to have the opportunity to make suggestions as to various aspects of crop insurance programs which should be given consideration by the federal government.

Our first concern is the reinsurance agreement. The Saskatchewan Crop Insurance Board feels that the reinsurance agreement under the Crop Insurance Agreement between the Government of Canada and the government of the province of Saskatchewan should be reviewed and amended in view of the tremendous increase in crop insurance liability now in effect as compared to that in effect when the original reinsurance agreement was negotiated some nine years ago. The Board feels that in particular section 15, subsection (c) of the agreement should be considered for revision from the standpoint of the province's contributions to indemnity payments before the Reinsurance Fund of Canada for Saskatchewan would be called upon to share in indemnity payments.

Section 15 reads as follows:

"Canada with respect to reinsurance, will pay in any insurance year to the Province of Saskatchewan seventy-five per cent (75%) of the amount by which the indemnities required to be paid by the Province under policies of insurance in force in that year exceed the aggregate of:

- (a) the premium receipts for the year less any amount paid by the Province for the purpose of reinsurance premiums in that year;
- (b) the amount in the Reserve Fund for payment of indemnities excluding premium receipts for the year;
- (c) an amount equal to two and one half per cent $(2\frac{1}{2}\%)$ of the total liability under policies of insurance in force in the insurance year provided that this paragraph shall not apply if Saskatchewan has outstanding advances to the Crop Insurance Fund for the purpose of paying indemnities that exceed sixteen and two-thirds per cent (16 %) of the total liability of policies in force in the insurance year."

I will run through that again in simpler form. If we have a bad year in Saskatchewan, we first of all pay our indemnity from the funds we collect from the premiums and so on. We then use any reserves we have in our reserve fund. The provincial government is then required to pay an amount equal to $2\frac{1}{2}$ per cent of the total liability of the Board in that year. In the year 1975 the $2\frac{1}{2}$ per cent of our \$400 million-odd would be roughly \$10 million which would come out of the provincial treasury before our reinsurance fund came into play. If that amount is used as well as the indemnities, we then have the federal-provincial reinsurance fund contributing 75-25 per cent respectively.

Senator Greene: Is there any limit on the quantum of reserves which you are allowed to accumulate or do they go for X number of years?

Mr. Minogue: I do not believe there is a limit.

Under this section of the Agreement, the Saskatchewan Government in 1974 would have been required to pay approximately \$7.3 million out of the Saskatchewan Crop Reinsurance Fund and/or public funds before the federal-provincial sharing of indemnity payments on a 75 per cent 25 per cent basis came into effect, if indemnity payments had exceeded the amount of the current year's premium and the reserve fund.

In light of the anticipated liability of in excess of \$415 million for 1975 the amount payable by the Province of Saskatchewan before federal-provincial sharing comes into effect, will be more than \$10 million.

The Saskatchewan Crop Insurance Board feels that in the event that a number of years occur in which claims payments exceed premiums and reserves by an amount not in excess of the two and one half per cent of total liability in each year, the Province of Saskatchewan would be continually contributing to indemnity payments to the extent of several millions of dollars each year, whereas the federal government would not be called upon to contribute any funds from the Reinsurance Fund of Canada for Saskatchewan.

The board further feels that under such a series of circumstances the Saskatchewan Crop Reinsurance Fund could be completely depleted of funds and that in the event of a heavy loss year if this were the situation, the Government of Saskatchewan would be called upon to

pay indemnities to the full extent of the two and one half per cent of liability plus the deficit in the Saskatchewan Crop Reinsurance Fund before contributions could be received from the Reinsurance Fund of Canada for Saskatchewan.

While the board realizes that the two and one half per cent of total liability referred to in section 15(c) was included in the agreement to ensure responsible rate setting and claims adjusting on the part of the province, they are of the opinion that fifteen years of experience has demonstrated that the province has operated a sound program and that this section of the agreement is no longer required.

Our second point relates to Uniformity of Coverage Offered within Regions. The Saskatchewan Crop Insurance Board feels that the Federal Crop Insurance Division could exercise some control with regard to the amount of coverage provided by the various provincial crop insurance agencies, for the same types of crops within similar regions. While the board recognizes that production costs vary somewhat from one province to another, it is their feeling that the three western prairie provinces should attempt to maintain uniformity of price per bushel options offered on grain crops. The board feels that, if agreement cannot be achieved between the various Boards concerned, the Federal Crop Insurance Division is in the position of being able to assist in the achievement of the desire uniformity.

Our third point relates to spot loss coverage. The Saskatchewan Crop Insurance Board feels that the federal government should safeguard against fragmentation of a sound crop insurance program by not permitting the introduction of spot loss options for causes of loss other than hail, into provincial programs of crop insurance. Losses due to hail are not difficult to determine on a spot loss basis and management has no bearing on this type of loss. However, all other types of loss which may occur on a spot loss basis can to some extent of the damage caused by such hazards at any particular time, as extremely difficult to determine. Examples of such damage which have from time to time been suggested for inclusion as a spot loss option are insect damage, frost damage, wildlife damage, water damage and wind damage, all of which to some extent can be controlled or at least partly reduced by proper farm management practices such as chemicals, seeding dates, crop rotations, drainage and soil management. The inclusion of such hazards on a spot loss adjustment basis can only increase both the premium cost to the insureds and the administration costs to the province to the extent that the costs would eventually outweigh the benefits and the basic objectives of crop insurance would be destroyed. . .i.e. the objectives of providing coverage in line with cash costs of producing a crop, at the most reasonable cost to the insured farmer.

The fourth point here is the relationship between crop insurance programs and the proposed grain stabilization plan. The Saskatchewan Crop Insurance Board is of the opinion that both the crop insurance program and a grain stabilization plan are necessary to provide income stability to the Prairie grain producers. The board feels that while the proposed grain stabilization plan does not fully provide the degree of stability which is desirable, it is a step in the right direction and they are hopeful that, as has been the case with the crop insurance program, once implemented it will undergo revision and improvements which may be indicated by experience.

The Saskatchewan Crop Insurance Board feels that the federal government should make every effort to inform the grain producers as to the objectives of both the crop insurance program and the grain stabilization plan, and to make it clearly understood that the stabilization plan is in no way intended to decrease the need for crop insurance coverage. They are concerned that producers clearly understand that essentially the crop insurance program provides a guarantee of production, or income to replace lost production, on an individual farm unit basis, whereas essentially the grain stabilization plan is designed to compensate producers on a regional basis in years when they may have normal production, but are unable to market such production, or are only able to market at a lower than average price.

The members of the board are concerned that crop insurance programs be maintained as separate programs from grain stabilization plans. The strength of the crop insurance concept has been that coverage and loss determinations have been based on units of production. This concept has made it possible to determine coverages and premium rates which are actuarially sound. History has shown that when crop insurance programs have attempted to insure price as well as production, such programs did not succeed, due to the inability to determine premium rates which would accurately reflect unpredictable price plufctuations in advance.

The Saskatchewan Crop Insurance Board members are of the opinion that the federal government should maintain control of the fund established under the grain stabilization plan, and the provincial crop insurance agencies should not be involved in the administration of such a plan.

Board members are of the opinion that implementation of the grain stabilization plan will not result in a reduction in participation by farmers in the crop insurance program. They view the two programs as complementary programs rather than programs in conflict.

In conclusion, the Saskatchewan Crop Insurance Board is of the opinion that the crop insurance program in Saskatchewan which has been developed over the years is making a significant contribution to the stability of the agricultural industry in the Province. The board members will continue to expand crop insurance coverage to additional crops, and on the presently insurable crops, to meet the requirements of the Saskatchewan farmer. However, the board is ever mindful of the fact that a cop insurance program which provides coverage to the level where it becomes more profitable to collect a crop insurance indemnity payment than to strive for maximum harvested production, will soon be in conflict with good farming practices. They believe that a sound crop insurance program should provide sufficient coverage to allow the grain producer to protect the investment required to achieve maximum production, and that anything more than this will have a tendency to induce some producers to alter their farming practices and this result would be highly undesirable.

The SAskatchewan Crop Insurance Board wishes to express appreciation for this opportunity to present their views on the crop insurance program to the Standing Committee.

The Chairman: Thank you very much, Mr. Minogue for your presentation. It is certainly a careful one and not as far-reaching as some of the recommendations in briefs

received from Manitoba and Alberta. But there is a question I should like to put to you before turning the questioning over to other senators.

As you well know, Alberta insures up to a maximum for wheat of \$3.50 a bushel, Saskatchewan for \$2.25 a bushel and Manitoba up to \$2.75 per bushel for this year. I think other crops are insured at approximately the same relative figure. Now costs are going up very rapidly, as you well know, and \$2.25 is the same price as one could insure a year ago. I wonder if the Saskatchewan Crop Insurance Board is looking favourably, all other things being reasonably equal, at providing a higher coverage per bushel or an option for a higher coverage per bushel another year. While nobody can forecast the market, my own view is that 70 per cent of the average production of wheat calculated at \$2.25 per bushel is just not enough to keep in the farming business a lot of the young farmers who have very heavy obligations and capital expenditures to meet and machinery payments and so on.

Mr. Minogue: In answer to your question, I should outline briefly the reasons why Saskatchewan selected the coverage we have in 1975. Saskatchewan has always followed the principle, in setting coverage rates, that we should attempt to cover the farmer's basic costs of producing the maximum crop from his acreage. When we look at the cost of production in Saskatchewan, for the year 1975 we find that statistics show our coverage levels are quite close to the actual costs that farmers are experiencing. We have these figures from Statistics Canada. When you are studying the coverage level on crops, you have to have regard for what the market price of those crops will be. It would be very undesirable to get into situations where we were insuring crops at a higher value than a farmer would be able to realize should be harvest his crop and sell his product on the market.

Having said both of those things, with regard to your specific question as to next year, I think the board will definitely be looking at an increase in the price options on the various crops. It is true that costs are going up. We will have to keep an eye on the marketability of crops to see what our upper limits will be on prices we can offer. The other factor we will have to consider is that if you look back on our programs historically, a large number of farmers went into our crop insurance program primarily to get out of the PFAA deduction of one per cent, because they had not collected for a number of years and this was a way out.

Some farmers selected coverage at the minimum level. Others selected coverage based on "what dollar value do I need as protection to cover my certain costs." Costs vary from one farm to the next. If you look at our figures, a large number of our farmers did not select the maximum coverage we have now. The board's feeling on this is that farmers are saying, "I have a certain number of financial commitments. I will pay a certain level of premium to guarantee a return that will cover the costs. I do not want to pay a higher premium than that, so I will select that level."

We feel that if we were to select a significantly higher price option, many farmers would not choose that option anyway. That is not sufficient reason to not make the higher option available. We have followed the principle that federal-provincial governments intended this program to cover the farmers' basic costs or production. Our information and experience would suggest that we have

covered most of the farmers' operating costs with the levels we have offered.

The Chairman: I would like to make two comments. In your submission you say that approximately 83 per cent of insured farmers selected coverage at the 70 per cent level, 83 per cent took the highest amount of coverage, and 68 per cent took the highest amount per bushel—which indicates to me that the vast majority of farmers are interested in higher coverage. In any event, it would seem there should have been an adjustment between those two years if for no other reason than increased costs. That would have been easy to do since, as I understand it—correct me if I am wrong—the federal government would readily have agreed to do this had you made application.

I can understand that it is difficult to look back. Perhaps it was not a public question when you were doing it. I can appreciate your good intentions. I appreciate the real accomplishments of the Saskatchewan Crop Insurance Board, but it is my sincere opinion that you should look a lot higher next year than you have this year. If the market is way down, I grant that would make it more difficult.

Mr. Minogue: It might be useful if we were to state the figures of the cash offering expenses of farmers in Saskatchewan, and relate that to the coverage we have. If we look at the aggregate farm operating expenses and depreciating charges for Saskatchewan in 1974, taxes were approximately \$55 million; farm rents, \$48 million; wages, \$45 million; interest about \$116 million; machinery expenses, \$288 million; fertilizers, close to \$46 million; other crop expenses, approximately \$66 million; depreciation on machinery, \$161 million.

If we total those figures, we get \$825 million. If we look at the 1974 acreage of crops grown in Saskatchewan, the total crop acreage was 24 million acres.

If we divide the crop acres into the total operating expenses and depreciation charges which I listed, it comes to a figure of \$34.25 per acre, which is very close to the average coverage we are offering farmers under our present program.

The Chairman: Does that include a return to the farmer—income to the farmer?

Mr. Minogue: This would not include the farmer's income. There is another point which we have to consider. We are guaranteeing a certain return on the year where the farmer has a crop which is 70 per cent of his average return. Let us assume for a moment that we have covered all the expenses and provided all the income for the farmer to live on. In the year when the farmer has an average crop, he would have all his expenses covered, his income provided, plus another 30 per cent.

The Chairman: I am not advocating that the 70 per cent be up. To my mind, the fact that you insure only 70 per cent—

Mr. Minogue: Mr. Chairman, you are missing my point. My point is that in this year, when he gets 70 per cent of his average crop, he is able to cover all of his expenses and have his income provided. In the year when he has an average crop, he would have all the same things covered, plus another 30 per cent. In the year when he has 30 per cent above average crop, he has his expenses covered and he has another 60 per cent available. I think you have to question whether the public would accept that kind of level for very long.

Agriculture

The Chairman: I see nothing wrong with that, because if I have a house worth \$100,000 and I can insure it for only \$70,000, obviously I would not do very much to that house to try to collect the insurance. I do not think the farmer will do very much, when he is insured for only 70 per cent, to bring about a loss. To my mind Alberta is not far off the track. You may feel that Alberta has gone overboard at \$3.50 per bushel. I would think they have been reasonable in what they have hone.

Senator Greene: In the light of the very apposite question asked by Senator McDonald of the New Brunswick witnesses, and in the light of the fact that you have been a little longer in the game than the New Brunswick group, how many years would you say it was from the inception of crop insurance in Saskatchewan before you came to see daylight, that the program was actuarily sound, providing the service that farmers recognized and appreciated? I am wondering whether they are trying to perfect something in a few years. How many years did it take you before you saw that this thing was going to work and was good?

Mr. Minoque: I should mention that I have been with the Crop Insurance Board for approximately only four years. With regard to the first years of the program, I would have to answer your question as I have been informed of developments which have taken place in those years. So far as being actuarily sound, we set our coverage levels in rates using yield data supplied to us by Statistics Canada, crop reporting agencies, and so on. So far as it being actuarily sound, you could start a program and have rates that are quite sound in the first year. Regarding development of a system, the administering of a program, and certain features of the program, such as coverage increases and decreases due to the farmers' actual loss experience and so on. I do not know. I guess it is a matter of opinion how long you need to develop that. I would think you are looking at three to five years before you would have confidence.

Senator Greene: You could not do it in two years?

Mr. Minogue: I believe you could develop a program. Whether you could be confident that it was going to be long-lasting in that form or not, I do not know.

Senator Greene: If we asked the Saskatchewan board whether after two years this program is working completely successfully, would the answer be no, that there is a long way to go? Your report indicates some degree of success, I think, at this time. Would it have been possible to achieve anything like this in merely two years?

Mr. Minogue: My answer to that would be that for approximately the first ten years of the program we had virtually no crop insurance program in Saskatchewan. If you look at our summary of experience figures, after five years in the program we had only 2,000 contract holders. At that time we probably had 80,000 to 90,000 farmers in the province, so we really had not scratched the surface. If you look at ten years after the program had been in operation, up to 1972, we had only around 8,000 contract holders, so up until that time the program was either not available or not acceptable to farmers.

Senator Greene: With any insurance program the broader the base the more successful it is apt to be. Would there by any benefit it it were possible to approach the Prairie program as a Prairie program rather than a provincial program? Your overhead goes down with one big com-

pany, and services that perhaps you could not afford by operating in three small companies.

Mr. Minogue: My feeling in that regard is that programs in any of the three provinces of Manitoba, Alberta and Saskatchewan are large enough to get the benefits that I think you are referring to, such as computer systems and management efficiency. We have such a large number of contract holders in any of the provinces that we can spread our risks around from one area to the other. I would think that putting three programs into one would probably add to the administration expenses, because you would have more overhead in central offices.

Senator Greene: You think you have the benefits of scale now, and there would be no advantage. You can get too big corporately, governmentwise or otherwise, and you feel that the optimum can be reached provincially?

Mr. Minogue: Yes. We have 40,000 contract holders and \$40 million in premium money coming in this year. Perhaps our people involved more in administration can answer that better than I can, but my feeling is that we can achieve the efficiencies we need.

Mr. J. E. B. Campbell. General Manager. Saskatchewan Crop Insurance Board: Perhaps I could comment on that. In the United States program, which is a national program, the administration costs in relation to premium are over 30 per cent. The percentage, if related to premium in Saskatchewan, is less than 7 per cent.

Senator McDonald: How much change has there been in the program as far as federal participation is concerned since its inception, in Saskatchewan?

Mr. Minogue: The first major change probably would be the negotiation of the reinsurance agreement, which occurred in 1965. That had the effect of taking a tremendous amount of risk off the shoulders of the provinces. The second major change would be in the contributions; the federal government used to pay 25 per cent of the premium and one-half of the administration, whereas under the new system they are paying 50 per cent of the premium and the provincial government is paying all the administration costs.

Senator McDonald: Senator Greene was dealing primarily with how long you had to be in a program before you felt you had a grasp of it and know you can handle it. When I had something to do with this program it seemed to me that one of the great worries provincially was that if we extended the crop insurance to the province and had a crop failure, the province would go bankrupt under the agreement we had at that time, with no insurance provisions. I think there was a general delay in implementing the program because of this fear. I am looking at the growth of the program over recent years, especially in 1973-74, when your number of insured was about 24,000, having almost doubled in one year. What brought about that tremendous participation in one year? Is there any explanation for that?

Mr. Minogue: It is a combination of factors. First of all, on your comment about the risk to a government, I think probably Saskatchewan could say that more easily than a large number of provinces, because we are such an agricultural oriented province.

Senator McDonald: And more subject to drought in a given year.

Mr. Minogue: Yes, and our provincial economy does not have that many sources of income to fall back upon. There were a number of factors leading to the increased participation. The first would probably have to be that up until the early 'seventies crop insurance was available only in certain areas of the province. At that time it was changed so that it was available in all areas of the province. There were additional crops offered; there were changes in coverage levels; we went to our new administration system, no that we had men on our own payroll informing farmers about what crop insurance was; this was their primary responsibility rather than something they did as a sideline to their other activities.

The Chairman: What about changes in the farmers' premiums? Was there a certain year or two years when it changed dramatically?

Mr. Minogue: When this federal agreement was changed. This came a year or two after we started on other changes, but there is no doubt that when the farmer has his premium reduced it will encourage more participation.

Mr. Campbell: That did not really reduce the premium, because spot loss on hail was brought in at the same time.

The Chairman: Was that the only change? I would appreciate your comment.

Mr. Campbell: The year the additional contribution was made it was absorbed by the province to provide for spot loss.

The Chairman: So the premium was something like 5 per cent for some long period of years.

Mr. Campbell: Five to six per cent.

Senator McDonald: The premium percentages are given on page 19 of the report and run from a high of 8.2, which was the first year, to a low last year of 5.4. Is that right?

Mr. Campbell: That is right.

The Chairman: That is a big difference.

Senator McDonald: On page 20, in the summary of experiences, I notice in the first year, 1961-62—1961, of course, was a pretty rough year in many parts of Saskatchewan—that is the only year you have had a serious loss. The accumulated losses up to 1973 were .43 per cent. How much money have you got in your reinsurance fund?

Mr. Campbell: As at the end of March, 1975, all of the reserves are in reinsurance, about \$14 million.

Senator McDonald: Where do I find that?

Mr. Campbell: This is the annual report, which is not published yet. This only takes you up to the end of March, 1974, which is the 1973 insurance year.

Senator McDonald: How much do you say is in there?

Mr. Campbell: Between the two reinsurance funds approximately \$14 million left. There is nothing in the reserve fund, because we paid all that out this year on the 1974 crop. The indemnity payments for the 1974 crop losses exceeded premiums by about \$2.5 million.

Senator McDonald: I seem to recall from your brief that these are really all your reserves in this fund, \$14 million.

Mr. Minogue: There is a point I should make here. We went for a period of approximately 14 years when our loss ratio to revenue was very favourable as far as the corporation was concerned, but in those years the volume of business was very low. If you are talking of a year when the premiums were about \$1 million or \$2 million and half of it was left over, that amount is very insignificant when you get into the program in 1975, where you have \$415 million left over.

Senator McDonald: This is the point I wanted to get at. I gather from your brief that what you are concerned about is that the Province of Saskatchewan, or other Prairie provinces, can have considerable loss year after year, for which the province will be held responsible, say \$10 million a year in perpetuity before the federal government program would come into play at all. Then what you are asking is that there should be some attention given to these annual losses that could occur so that the federal insurance program could come into play as a result of the series of \$10 million losses rather than \$130 million loss. Is that what you are asking?

Mr. Minogue: We go further than that. We ask whether the $2\frac{1}{2}$ per cent provision is necessary when you look at the history of our program. We have not had a series of years when we have taken out more money than we have collected. We feel that the reinsurance fund should be adequate to handle the loss years without the provision of the 2½ per cent, particularly when our program has become so large in all areas of our province. For example, in 1961 there were 194 contracts. That is only one area and if you have a loss undoubtedly it is a high loss. Now we have wet areas in the northeast, dry areas in the southwest and everything else in between. I think you will see less variation in our loss years probably now than you would in the first five years of the program, which would again support our position that there is less need now for the 2½ per cent provision.

Mr. J. Webster, Assistant Deputy Minister of Agriculture, Saskatchewan: The point we want to make here, Mr. Chairman, is that we can see the reason for the $2\frac{1}{2}$ per cent when the program was initiated, because it was a provision which would insure conscientious efforts on the part of provinces to make sure that the program was actuarially sound. We think that now, however, if it had been applied properly, the $2\frac{1}{2}$ per cent should have been reduced year-by-year until it became nil. Since this did not happen we really believe it should be nil at this point in time and should be non-existent next year, because we have proven through a long period of years that the program is sound.

Senator Greene: Has there been an attempt to renegotiate the reinsurance agreement, government-to-government, or is this sort of the first bite at the cherry?

Mr. Webster: I would say it is the first bite at the cherry.

The Chairman: I do not necessarily disagree with the point you have been making, but in order for me to understand it more clearly could you tell me what would happen if you had a super disaster and the loss was \$200 million? How would that be paid?

Mr. Minogue: First of all, our premium income in 1975 will be roughly \$40 million. First we would have to pay 15 per cent to the federal reinsurance and 15 per cent to Saskatchewan, which comes to a \$12 million payment to reinsurance funds, leaving us roughly \$28 million to pay

claims. If we use up the \$28 million, it happens at this point in time that we have practically no funds left in our Saskatchewan crop insurance funds and no reserves so that the balance of these payments would have to come first of all from our 2½ per cent of our total liability.

The Chairman: What reserves do you have?

Mr. Minoque: About zero.

Mr. Webster: Except in the reinsurance funds.

The Chairman: I am not trying to cause an argument. I just want the example clarified.

Mr. Campbell: I have an example here based on a \$125 million pay-out.

The Chairman: I will take that for the record.

Senator McDonald: Would you continue with your example, please?

Mr. Minogue: First, the provincial government would have to contribute $2\frac{1}{2}$ per cent of the \$415 million, which would be roughly \$10 million. They could then take that from our provincial reinsurance fund. At any rate, the \$10 million from the provincial government plus the \$28 million from the premiums gives \$38 million to pay claims. Using your example of a \$200 m llion loss that leaves \$262 million to be paid. At that point in time the reinsurance fund comes into play and the province of Saskatchewan would have to pay 25 per cent of \$162 million and the federal government would have to pay 75 per cent. So Saskatchewan would pay roughly \$40 million, in which case our reinsurance fund would be depleted and it would be coming from the provincial treasury and the federal government would be paying \$125 million.

The Chairman: Altogether the province would be paying \$50 million, \$10 million plus 25 per cent of \$162 million. So even for every \$4 that the farmer was collecting, which would be \$200 million in all, the province would be paying \$50 million of that. I understand the point you are making. It gives us a perspective, anyway.

Senator McDonald: Mr. Chairman, perhaps the example based on \$125 million pay-out coud be made part of the record.

The Chairman: I will give it to Mr. Chambers to edit. We will then include whatever is appropriate.

Mr. Minogue: I might point out, Mr. Chairman, that in those tables are some calculations indicating what would have happened to reinsurance funds if the crop insurance program had been constantly level over a period of years. For example, what would happen if it were always \$415 million for the insurance program for the next 15 or 20 years? The reserves in the reinsurance fund, I think, would tend to become almost embarrassing as an accumulation, especially when you look at our past experience.

Senator McDonald: That is a good problem to have.

Mr. Minogue: Except that it moves away from the objective of a good insurance program, which is that in the long run things should be relatively balanced.

Senator McDonald: I agree, but the province of Saskatchewan has had some pretty rough years in which it would have been nice to have had some reserves. I hope those years are over, but they might occur again.

Mr. Webster: Mr. Chairman, I was going to say, however, that we should not let this major disaster overshadow the earlier point we were making that we see the greater problem in Saskatchewan as one of the possibility of the province kicking in this \$10 million or whatever, thinking that this will happen much more frequently, or that the possibility of it happening more frequently is greater and that we could go for years and years with the province putting in money, this $2\frac{1}{2}$ per cent, and never drawing on the federal reinsurance funds. That is the much greater concern.

The Chairman: Concern to Saskatchewan.

Mr. Webster: Right.

Senctor Greene: What you are really saying is that the reinsureance fund agreement was drawn up on the basis of the major calamity being insured, and in the light of experience and the fact that the program is now sailing along on a fairly even keel, it is not the major calamity, the ten-year drought, that should be the only pipeline in to the federal area of reinsurance, but the smaller, year-to-year drain that is more likely to be a real problem in the province.

Mr. Minogue: That is correct.

The Chairman: The federal government was afraid initially that they could not trust the provinces. But the provinces have proven trustworthy. Some people do not want to trust farmers, either, but I think the farmers have proven trustworthy, too.

Gentlemen, I should like to question you now about your penalties and your surcharges, because to my mind they are pretty onerous and I hope that, apart from whatever is said about them today, you will look at them again.

Correct me if I am wrong, but as I understand it, your discount is in efffect up until August 15. Is that correct?

Mr. Minogue: August 15.

The Chairman: And when is your first penalty?

Mr. Minogue: August 16.

The Chairman: So if a farmer owes \$1,000 by way of premium on August 15, and if he pays it on August 15, then he pays \$950, but if he pays it on August 16, he pays \$1,050. Is that correct?

Mr. Minogue: That is correct.

The Chairman: I think that shows that this is particularly severe for somebody who, no matter what the reason, whether it is carelessness or lack of credit or anything else, is not able to meet this payment.

The next surcharge is October 1, with another on December 1. Now I have calculated in my own arithmetic that if you take a farmer who pays his \$1,000 on August 15 and pays \$950, then the farmer who pays on December 1 or at the time of the 10 per cent surcharge is paying an interest penalty on a yearly basis of 70 per cent. That is something that should be looked at. The information I have is that Alberta—and we have the experts from the federal government here so that if my information is wrong I will be corrected—has as its due date August 15, and its first penalty date is October 1 and the second penalty date is December 1. So there is a considerable difference between the rates charged to the Alberta and Saskatchewan farmers. The Alberta farmer is allowed a

Agriculture

45-day period during which he can pay his premium at face value, that is without discount or surcharge. The Saskatchewan farmer is immediately surcharged by 5 per cent. On October 1, when the Alberta farmer begins to be charged the 5 per cent surcharge, the Saskatchewan farmer pays 10 per cent or twice as much. On December 1 they pay 10 per cent and 15 per cent respectively, and this represents a monthly rate of 2.9 per cent in Alberta and 4.3 per cent in Saskatchewan.

That is a monthly rate and it is only for three months, so I put it on an annual base myself, and in my view this is something that should be looked at.

Mr. Campbell: I would like to make one comment on that, Mr. Chairman. You mention 70 per cent, but the one fact you have not taken into consideration is that the premium is due when the crop goes in the ground, so he has had that crop during all that time, and you can calculate that at three months.

The Chairman: All right, but looking at it in my terms rather than in yours from the point of view of a farmer who does pay on August 15 as compared to a farmer who has to accept the maximum penalty, those are very, very severe charges. I have been against usury rates and I have campaigned against them very, very strongly, and I think when you are getting beyond 1½ per cent monthly, then you are getting into something that is pretty high. I would like to see it much less than that. I understand that in Manitoba they have an ordinary interest rate after a certain date of 6 per cent. Farmers are honest and they want to pay their bills and I would imagine the vast majority pay them and do not have the penalties. So you can say that I am talking about a very small number of people.

Mr. Campbell: Eighty-five per cent paid by August 15 last year. Now I have only been in Saskatchewan for the last two years, but the reason that this assessment is still in effect is because in the past it has been effective in getting the cash in. For example, in the year that is ahead of us it is important that the premium money should come in in August because we will be paying claims starting in two weeks.

The Chairman: But surely the sources of revenue for the Saskatchewan government, the federal government and the Crop Insurance Board are such that you really do not have to put these onerous penalties into effect.

Mr. Campbell: I am not speaking either for or against.

Senator Greene: So that you will not think that the chairman's views are the unanimous views of the committee, although they generally are, I am most reassured and most inclined to support your request vis-à-vis the insurance program because of the fact that your annual report indicates that you have been running this as a hard-nosed, self-sufficient, standing -on-its-own-feet business organization. The great fear was that the Crop Insurance Board would just be another funnel into the various treasuries and would become another welfare system. Certainly your report does not show that. And if you have to be a little ornery to show that you are going on business principles, I would rather see it that way because certainly it will make our approaches to treasury for renegotiating the reinsurance agreements much easier if we can show that you are running an efficient business here just as any business organization should run. Nobody likes usury, but in this case I think what you have told us is going to be a valuable weapon in our arsenal leading to better financial deals.

Mr. Minogue: I should mention that this surcharge is not a new feature. We have had it from the beginning of the program. We have taken the position that we are not in the banking business but that we are in the insurance business.

The Chairman: Well, with respect, I still think you should have a look at it, and I think you should come up with something better. You could have, a reasonable interest rate, but I think you should have no more than that. If you look at the farmers' record with farm improvement loans or farm credit loans, it is just a simple fact that the farmer is a good risk and in fact you are not risking any money. Therefore I think that is a very severe penalty.

On the other hand, I have had it brought to my attention by young farmers who put it to me this way: "If I could have paid it that day, I could have saved 5 per cent, but I could not pay it until later and they penalized me 5 per cent overnight." These were young people who found the money hard to come by. And then they tell me, "They had an awful difficult time processing the claims last fall and I waited for four months for my money, and they did not pay me any interest rate on the money. I had to get through the winter hoping to get a \$3,000 or \$4,000 cheque from the Saskatchewan Crop Insurance Board." They were not criticizing the board for being late, but they were critical of the high interest rates that they were charged and the fact that they received no interest payment whatever when they were waiting for their money for many, many months. This reminds me of the many debates we had in the House of Commons many years ago, when the Department of Finance was all for penalizing people who did not meet their income tax dates, but if the taxpayer had a refund coming he did not receive any interest. Now the federal government has gone a small way in paying some interest, but it still does not satisfy me. I think this is something that you could look at, and Alberta could look at it too. Apparently Manitoba has already looked at it. After looking at it you may agree with Senator Greene, but I would hope that you would agree with me.

Mr. Minogue: I agree with your point, and the board did discuss the point, but our feelings are that we have to get the system streamlined so that we can pay claims in the shortest possible time. We introduced it for the one year and it was hard to get out of it again. We had a number of specific problems that caused us to be late in our processing. First of all, we had frost across the whole province resulting in about 23,000 claims and it was an extremely large task to adjust these claims. Another problem we had was that with the low quality grain all through western Canada, the Board of Grain Commissioners were unable to keep up with grading and the whole system bogged down. So we are looking at ways of streamlining the grading process and we are computerizing our processing system and we hope to have all claims paid very shortly after the claims are received.

Mr. Webster: With respect to this last point, during the last year we have spent approximately \$150,000 in revamping our whole processing system and this new process, as Mr. Minogue has said, is just coming into effect now. We think it is being tested, and we are quite sure it is going to work and it will certainly improve our claims payment position—that is, our efficiency and our speed in paying claims.

The Chairman: I was not making any criticism of the late payments, because I understand exactly what you are

up against. I thought you did very well under those difficult circumstances. However, you can also appreciate the attitude of a farmer who has been waiting for money, particularly a young farmer who has credit payments to meet. He thinks it is not quite cricket.

Mr. Campbell: I think the Saskatchewan farmer is a very understanding man.

Mr. Webster: Mr. Chairman, I wonder if the committee has any comments on the question of our second proposal, on page 9, with respect to uniformity of coverage offered within regions.

The Chairman: I had already made a suggestion. I tried it on Mr. Gorrell. I did not go quite as far as you have been saying. You said the federal people should have some control over these people who are getting out of line with their coverage. I suggested that perhaps every year, or every second year, there should be a kind of formal conference over a period of one or two days-a regional conference, perhaps of the Western region—where you people would come in perhaps six months ahead of setting your own program and discuss it at length and in detail with your colleagues from neighbouring provinces. That in itself would lead to a somewhat more uniform program. I am in favour of uniformity as such. I am not sure that I want the federal government to strong arm the provinces, although that might be inferred by what you said in your brief. However, I think uniformity itself is commendable. Have you any comment to make on that, Senator McDonald?

Senator McDonald: I noticed in the brief it asked the federal government to keep its nose out of the administration of crop insurance. I am inclined to agree with that. Having made that statement, you rather destroy your argument for the federal government to bring about uniform coverage.

I think the proposal of the chairman is a good one. Conditions in Manitoba, Saskatchewan and Alberta may vary somewhat, but the variation is not too great. It seems to me that a conference of crop insurance boards in those three provinces would be beneficial in getting programs in the three Prairie provinces that were as close as possible to each other. It would be better to do it that way than have the federal government impose limitations.

The Chairman: You would have the federal people represented at the conference?

Senator McDonald: They could be there to listen.

The Chairman: You might make it a four-way or a five-way conference.

Mr. Campbell: If the provinces cannot reach agreement, perhaps the federal government could help them reach agreement. I do not think it was meant to strong-arm or control. The board has directed that we try to get together next month with Alberta, Saskatchewan and Manitoba.

The Chairman: I would think the provincial boards could get together, and at some point there should be federal representation. It should be a formal meeting with a formal agenda, and perhaps you could come to some consensus on a number of points. If I were in the business myself, I would welcome something like this. While I might be able to give some information, I am sure I would learn a lot.

Mr. Chambers: With regard to coverage, there is considerable variation between the formulas used in the three Prairie provinces, both in relation to maximum amounts and time taken to reach the maximum amount of coverage adjustment. Could we have a statement as to why Saskatchewan has picked 115 per cent over a five-year period, rather than some other figure? Secondly, on whether or not they have seen the suggested formula which Alberta presented to the committee, for 115 per cent over a five-year period down to a lower value of 70 per cent. Do you have any comment to make on that?

Mr. Webster: I would prefer that Mr. Campbell reply to that.

Mr. Campbell: That is a very interesting question. I think I can claim some responsibility for the development of the coverage adjustment system in Manitoba, which is a gradual 3 per cent increase a year up to a maximum of 27 per cent. In developing that system in Manitoba, it was related directly to individual farm yields which had been collected from insureds over a period of 10 years.

When Alberta and Saskatchewan picked up the idea, they did not have these statistics available; so they adopted an interim system, as I call it, which should be subject to revision at some future date when they have statistics available. I think Mr. Gorrell was involved in setting up the one in Alberta.

Mr. Chambers: So you feel that the Manitoba one is ideal?

Mr. Campbell: I do not say it is ideal. It was worked out to fit the data that existed in Manitoba. The feeling in Saskatchewan seems to be that the present 15 per cent maximum increase ties in very closely with the average yield of the general average farm or above average farm.

Mr. Chambers: At 15 per cent taken on the 70 per cent coverage level, 115 per cent basic would be 80.5 per cent, which is hardly average. At 80.5 per cent of the average yield, it cannot be the average of the average yield.

Mr. Minogue: To correctly state that, the 15 per cent increase would give us 70 per cent of an average yield, which is the 15 per cent rate. We are saying that a man's average yield—let us take, as an example, 20 bushels—is really 23 bushels. So we guarantee him 70 per cent of that.

Mr. Chambers: You are taking 70 per cent of the area average as his base coverage. If the insured has a record of no loss years over a five-year period, he gets 115 per cent basic—or 115 per cent of the 70 per cent, or 80.5 per cent of the area average, which may bear no relationship to his own average yield; whereas in an average area you have people with below or above average. So it is 80.5 per cent of the average yield, which is not the average yield because—

Mr. Campbell: The point I was trying to make, in the Manitoba system, 27 per cent seemed to be the level of the top producers' average yield. We do not know what it is in Saskatchewan, because we do not have individual statistics—

Mr. Chambers: Even at 127 per cent basic coverage, which I think is 88.9 per cent, using the area basis—

Mr. Campbell: I know what you are getting at, but the federal act specifies that you cannot give coverage on more than 80 per cent of an individual's average yield.

- Mr. Chambers: But we know that in Alberta and Manitoba the individual can have an average which is higher than the 80 per cent of the average yield.
- Mr. Campbell: The ideal situation would be if we could get every farmer's coverage based on his 15-year average yield.
- Mr. Chambers: I notice in the Alberta annual report they are undertaking investigations as to the possibility between individual coverages. We have heard evidence from the Maritime provinces, where they have individual coverage based on actual yields. Is the Saskatchewan board investigating this possibility, moving further and further towards actual yield coverage?
- Mr. Campbell: We are collecting individual data from insured farms. We have only two years so far, 1973 and 1974. Until you have a good bank of data, you cannot do very much investigating. We provide individual coverage to 50,000 farmers, which is quite a huge undertaking. With only 200 potato growers, you can do it.
- Mr. Webster: Mr. Chairman, our administrative system is designed eventually so that it will permit this. If the board makes a decision at some future point, or we have some future information, our new computer program is designed to permit individual coverage. When it is applied depends upon the confidence of the board that the information is available, but the system is set up to accomplish this.

The Chairman: Are there any other questions? Any other comments? If not, I thank you, gentlemen, for coming here. I am sure we have enjoyed your presentation and have learned a good deal from it. I hope that when we get around to writing a report it will be helpful to the farmers and helpful to crop insurance generally, and we hope you will agree with at least some of the things we may say in it. Thank you for coming.

Mr. Webster: Thank you, Mr. Chairman.

The committee adjourned.

APPENDIX "A"

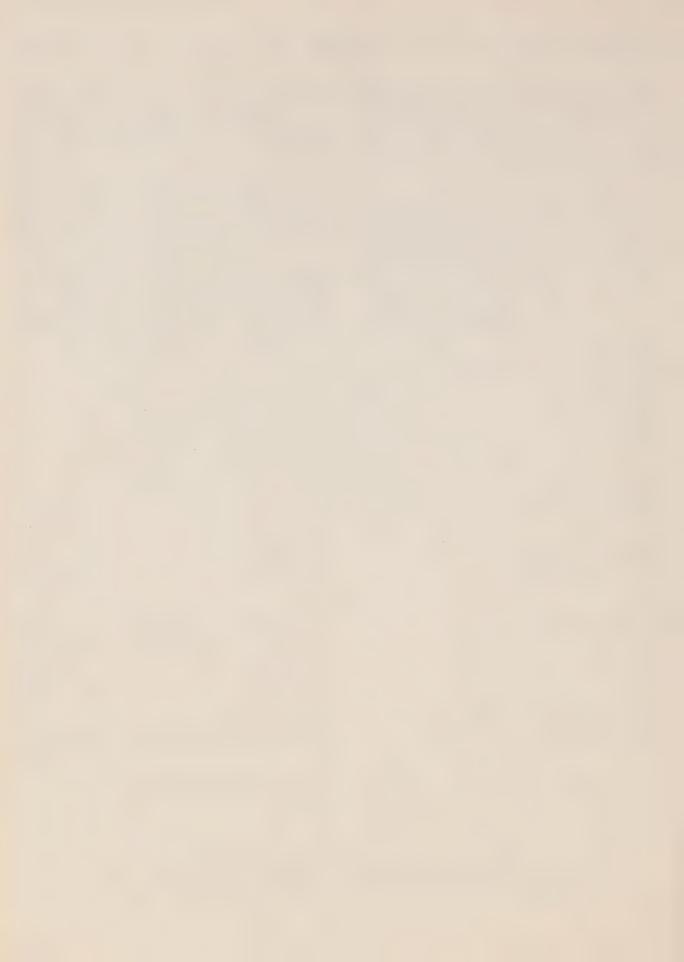
"An Example of Payments made by Saskatchewan and Canada for Crop Insurance indemnities"

Example of Various Levels of Claim Payments

- Assumptions = (1) Premiums and Payments to reinsurance fund as per schedule.
 - (2) General Insurance Fund is nil at March 31, 1975.
 - (3) 1975-76 Claims Paid 40% of Premiums.
 - (4) 1976-77 Claims Paid (as per Claims Total Column \$125,000,000).
 - (5) All figures rounded to nearest \$1,000.

		G eneral	Reinsurance		Claims
	Total Premiums	Insurance Fund	Sask.	Canada	Total Accumulated
Balance March 31,1975	\$	\$ nil	\$ 6,417,000	\$ 7,697,000	\$
1975-76 Premiums	41,000,000	28,700,000	6,150,000	6,150,000	
1975 Claims 40% of \$41,000,000		16,400,000			
Balance Mar.31/76		\$ 12,300,000	\$ 12,567,000	\$ 13,847,000	
1976-77 Premium	50,000,000	38,750,000	3,750,000	7,500,000	
Fund Balances before paying claims \$ 51,050,000 16,317,000 \$ 21,347					
Sask. Gov't Contribut 1976-77 Claims (1st S		(51,050,000)			51,050,000
Prov. of Saskatchewan 2½% of \$500,000,000	contributes	88.X.J.	12,500,000		
1976-77 Claims (2nd Step)			(12,500,000)		12,500,000
То	tal				\$ 63,550,000
(3rd Step) - Reinsura contribute on 25%-75			(7,116,000)	(21,347,000)	28,463,000
То	tal			nil	\$ 92,013,000
(4th Step)			(9,201,000)		9,201,000
(5th Step) - Reinsuran			nil		\$101,214,000
pay on basis of 25-75 ratios via funds contributed by public funds			(5,947,000)	(17,839,000)	23,786,000
Total Claims 197	6–77				\$125,000,000
Balance of Funds March	h 31, 1977	\$ nil	\$ (5,947,000)*	\$(17,839,000)	

^{*} Deficit















Covernment
Publication



FIRST SESSION—THIRTIETH PARLIAMENT 1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

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Issue No. 20

WEDNESDAY, JUNE 11, 1975

Second Proceedings on Bill C-19, intituled:

"An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada" AND

Consideration of the Annual Report of the Canadian Wheat Board for 1973-1974

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue McDonald Blois McElman Côté McGrand *Flynn McNamara Fournier (Restigouche-Michaud Gloucester) Molgat Norrie Greene Haig *Perrault Hays Sparrow Williams Inman Lafond Yuzyk—(22) Macdonald

*Ex officio members

(Quorum 5)



Order of Reference

Extract from the Minutes of the Proceedings of the Senate, May 21, 1975:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Molgat, seconded by the Honourable Senator McDonald, for the second reading of the Bill C-19, intituled: "An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada".

After debate, and—
The question being put on the motion, it was Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Petten moved, seconded by the Honourable Senator Giguère, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Wednesday, June 11, 1975

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 9:30 p.m. to further consider Bill C-19, intituled: "An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada".

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Haig, Inman, Lafond, Macdonald, McGrand, McNamara, Michaud and Norrie. (10)

In attendance: Mr. Albert F. Chambers, Research Assistant to the Committee.

Witnesses:

Canadian Wheat Board:

Mr. G. N. Vogel, Chief Commissioner;

Mr. Gordon Earl, Executive Director.

At 11:10 p.m., the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Wednesday, June 11, 1975.

The Standing Senate Committee on Agriculture met this day at 9.30 a.m. to consider Bill C-19, to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada, and the annual report of the Canadian Wheat Board.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, I am very pleased to see quite a few more members present than a quorum. Wednesday morning is the toughest morning around here, because all the parties have caucuses. If it is ordinarily difficult to get a quorum, it is much more so on Wednesday mornings.

I am sure we are all delighted to have with us Mr. Gerry Vogel, Chief Commissioner of the Canadian Wheat Board. He has with him Mr. Gordon Earl, Executive Director of the Canadian Wheat Board.

The first item before us is Bill C-19, an act to provide for two-price wheat. That is not the official title, by the way. The Wheat Board plays quite a role in the administration of this act. After dealing with this item, and with the consent of the officers of the Wheat Board, and of the committee, we will proceed to our consideration of the annual report of the Canadian Wheat Board, copies of which are being, or have been, circulated.

We have also in attendance Mr. Leggett, the Director of the Grains and Special Crops Division of the Canadian Department of Agriculture, Mrs. D. M. Forsyth, Chief of the Operations Program, Grains Division, and Mr. Pearson of the Canadian Department of Agriculture.

Without further ado we will open the discussion on Bill C-19. I wonder, for the benefit of the committee, if you would outline the role the Canadian Wheat Board plays in the operation of this act, Mr. Vogel, and the provisions of the act. Perhaps you would like to fill us in on some history of how it came about, and give us all the information you think we should have. We would be pleased to have you do that.

Mr. G. N. Vogel, Chief Commissioner, Canadian Wheat Board: Yes, thank you, Mr. Chairman. We do not have any prepared text.

In essence, the operation of the bill which you are examining breaks down into two parts: one as affecting the designated areas in western Canada, meaning that it covers wheat, which is administered by the Canadian Wheat Board; and then the other ramification of the bill, which applies to wheat produced outside the designated areas, with which we will have no concern.

As far as our wheat is concerned, the bill provides for a measure of price protection over a period of years. Perhaps it might help the committee if, in my own words, I paraphrased some of the provisions, because it is not the simplest thing in the world and, really, the total effect will show up not only in the bill, but in the accompanying regulations.

In essence, the bill provides that in the case of bread wheat, for a period of six years—really a period of seven years, because it was in operation for a year under an oppropriation measure—the producers of western Canada are assured a minimum of \$3.25 a bushel for the named top grade. The government pays to us, as part of our ordinary revenue, a subsidy of \$1.75 a bushel in addition to that, so long as the export selling price is above \$5 a bushel. This means that the mills pay us \$3.25, and that is all that they pay us. That is the value of the wheat which is reflected, then, in the flour costs.

The government pays us \$1.75 so long as the export price is above \$5. As the export price drops below \$5 the government subsidy starts to drop below the \$1.75, and eventually, if circumstances so dictate, the \$1.75 subsidy would eventually disappear completely; but the mills would continue to pay us the \$3.25 as a guaranteed floor price for domestic subsidy.

The Chairman: They tell me the public address system is not working this morning, and we would appreciate everybody speaking more loudly than usual.

Mr. Vogel: In the case of Durum wheat the principle is somewhat the same. In the case of Durum wheat there is also that floor price of \$3.25; but the act and/or the regulations do provide, or will provide, that the mills pay us \$5.75, and the government pays the same \$1.75 for a total of \$7.50, so long as the export price is at that level or higher. As the export price drops below \$7.50, the government subsidy starts to drop, if and until the level of \$5.75 is reached, at which time the subsidy will have disappeared completely. The mills would continue to pay us the going price—the asking price—from \$5.75 downwards, in such a downward market, but in no case lower than the \$3.25. The \$3.25 applies in both cases. That is the substance of the legislation.

You asked me to what extent we were involved in it. We were consulted on it. We considered it at considerable length ourselves, and we considered it to be a reasonable proposition, particularly with the section which was added in the other place with respect to the annual examination.

Too much attention was probably devoted to the high part of the scale, and in fact, when the prices were above a certain level the producer was not getting the full export value. I do not think that sufficient attention was paid to the \$3.25 as a floor protection price. That is worth something, and over a period of years it could be worth a great deal. It is a form of protection that we do not have in any other of our long term export sales, where the selling prices are generally whatever they are from time to time,

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and so the *quid pro quo* in the legislation and in the regulations are the two parameters, as I have defined them.

The Chairman: Yes. I think one of the criticisms has been that while the \$3.25 might look quite acceptable today, in relation to costs by 1980 it might be worth half as much in terms of purchasing power. What do you understand by the present provision of the act for ministerial review? Will you tell us that you think will happen?

Mr. Vogel: I cannot answer that.

The Chairman: I do not mean as to what price will be arrived at, but do you know anything about the mechanism?

Mr. Vogel: No, I do not.

The Chairman: When this was being established, in the first place, did the Wheat Board, or the government, to your knowledge, discuss this with the advisory committee?

Mr. Vogel: No. We advised the advisory committee after we had made our decision; but it was the type of decision which we could make on our own authority, and which we did make. It is the type of selling form of pricing which it is our responsibility to bring about, and we did it.

The Chairman: Without advice from them.

Mr. Vogel: Yes. We did, of course, tell them immediately, and my recollection is that there was no great objection to it, except the necessity of this annual review, or something to that effect.

The Chairman: Well, my impression is, and I may be wrong, that it was a policy decision arrived at by the government, perhaps rather quickly, and under considerable pressure from consumers, et cetera. In those circumstances, is it fair to say that the government was anxious to have this policy adopted, and adopted quickly? Did you feel under some obligation to make a rather quick decision on it?

Mr. Vogel: I do not know what pressures were on the government. There was a necessity for a quick decision on it. This happened at the beginning of August, and once we knew that something like this was being considered we had to suspend our sales of wheat to the mills temporarily until we knew what price was going to prevail. In the early weeks of August, therefore, there was a time pressure to put something into place so that we could resume sales to the mills.

Senator Macdonald: How many bushels of wheat would be affected by this? Is it all wheat produced for human consumption in Canada?

Mr. Vogel: That is correct.

Senator Macdonald: I understand that would be around 50 million bushels. Would that be correct?

Mr. Vogel: Mr. Earl, I believe, can give you the exact figure, but it is something in the order of 50 or 55 million bushels, including durum wheat.

Senator Macdonald: This is just No. 1 grade. What happens to the other grades?

Mr. Vogel: The other grades have what is known technically as a spread below No. 1, and the export spread applies to that price.

Senator Macdonald: Is any of that used for human consumption?

Mr. Vogel: Yes, very definitely. That is especially true this year because of the low quality crop which we had last year. The mills this year are using a substantial quantity of No. 2 grade. They are even using a quantity of No. 3.

I am sure all of us hope that we will have a high quality crop this year. As it is now, we are very much getting to the bottom of the bins on the high grades.

Senator Macdonald: But the subsidy only applies to No. 1 grade?

Mr. Vogel: No, the subsidy will apply to whatever grades the mills are using, or will use. The subsidy is triggered by the calculation as applied to the No. 1 grade, but the actual price would be the subsidy at whatever level it might be from time to time added to not \$3.25 but \$3.15, or whatever the price is for the grade being used.

Senator McGrand: Did you say that for durum wheat the mills pay \$5.75?

Mr. Vogel: That is correct.

Senator McGrand: And the government will pay \$1.75?

Mr. Vogel: Yes, so long as the export price is over \$7.50. If the export price falls below \$7.50, the subsidy starts to reduce until the price gets down to \$5.75. At that point the mills will pay \$5.75. The mills would continue to pay \$5.65, \$5.60, or whatever it is, if the price were dropping.

Senator McGrand: If the export price dropped to \$4, the government would pay \$1.75?

Mr. Vogel: No.

Senator McGrand: Would the subsidy drop to \$1?

Mr. Vogel: If the price of durum drops to \$4 a bushel, the mills would pay us \$4. The government would not be paying us anything at that point.

Senator McGrand: Why is there a difference in the price of Durum and the price of other wheats?

Mr. Vogel: Durum wheat is a funny commodity. It blows hot and cold. It has a very specialized use. It is used for pasta products, such as macaroni and spaghetti, although not so much for noodles. There have been times when Durum had to be sold at a discount below bread wheat. However, when Durum is in short supply, since it is a specialized market, the price can tend to go to a very substantial premium over the bread wheat. That is why the legislation provides for it. At the time the philosophy was developed, the premium for Durum was high. It still is high for that matter, but not as high as it was.

Senator McNamara: Mr. Chairman, I do not intend to participate to any great extent in the questioning of my former colleagues, but I wonder if Mr. Vogel would give us some information with regard to current prices. What is the current export price of the top grade?

Mr. Vogel: In answering that question I will use Thunder Bay prices, as the legislation is on a Thunder Bay basis.

The Thunder Bay export price now for No. 1 c.w. 13½ protein, as defined in this bill, is, as of yesterday, \$4.33½. The subsidy, obviously, is now less than \$1.75.

Senator McNamara: The subsidy would be \$1.18?

Mr. Vogel: Ves

Senator McNamara: And what about Durum?

Mr. Vogel: The export price for No. 1 Durum is \$7.09% at Thunder Bay.

Senator McNamara: The subsidy, then, is \$1.09?

Mr. Vogel: It is \$7.50 less the difference between \$7.10 and \$7.15—roughly, \$1.35.

Senator McNamara: The main point I want to bring to the attention of the committee, Mr. Chairman, is that this is not a producer subsidy in any way. Actually, the benefit to the producer is the guaranteed floor price regardless of market levels. The main protection for the producer is the floor price.

Mr. Vogel: That is correct.

Senator McNamara: The moneys the government is paying and will pay into the board is not a subsidy to the producer; rather, it is a consumer subsidy. It means that the price of bread in Canada is related to what the mills are paying, plus the subsidy.

I think it is very important that it is realized that this is not a bill to subsidize Western producers. So far, it has amounted to a subsidy for the consumer. Of course, if the world price goes below \$3.25, then the public will pay more than the world price.

To repeat, I think it is important to realize that this is not a producers' subsidy.

Mr. Vogel: That is quite correct, senator.

Senator Macdonald: The world price is dropping, is it not?

Mr. Vogel: Prices have been dropping very considerably, senator. Prices stabilized somewhat in the last two weeks and showed some strength in the last two days. However, because of continuing rains in the United States, which are interfering with their harvest in a rather serious way, there is no way of telling where prices might be by fall. They could continue downward. If good crops are harvested, prices could stabilize, or they could reverse and go up again. It depends entirely on the crop harvested in the Northern Hemisphere in the next eight weeks.

Senator McNamara: One further comment, Mr. Chairman. The principle of this bill is not entirely new in merchandising Western grains. For many years the producers, through their organizations, have generally supported the International Wheat Agreement, and the provisions of the International Wheat Agreement did guarantee a minimum price to the producer and a maximum price to the consumer.

After the Kennedy Round negotiations, the International Wheat Agreement came into effect and prices started to drop. The government of the day did authorize the board to sell wheat for domestic consumption at the minimum price of the International Wheat Agreement, even though the world price was below the minimum price set out in the agreement.

I think the principle embodied in this legislation is somewhat the same. It guarantees the producers, in the event of a low market, a minimum price, and that minimum price, a few years ago, would have looked very attractive. If prices continue to drop, it may again be of great benefit to the producer.

I suggest, Mr. Chairman, that although the government might have been anxious to get this policy adopted, there was strong support from the producers to get protection that would guarantee them a reasonable price regardless of the world market. It is not a new principle, and it is a principle that I have advocated throughout my career. I think it has the support of the producers. When prices went sky high a few years ago, it did not look quite as attractive as it does today, and as it may tomorrow.

The Chairman: And if there is some way to adjust it in respect of increased costs so that it is not a frozen floor, so much the better.

Senator McNamara: Yes.

The Chairman: Mr. Vogel, there have been various figures put forward as to what producers might have "lost" as a result of this policy so far as it relates to world market prices. Do you have any estimate in that respect?

Mr. Vogel: That is a vague thing, Mr. Chairman. The price was definitely higher during the initial period and certainly the producers would have obtained more. How much more is difficult to say.

The Chairman: You have not made a calculation on it. It might be difficult to arrive at a precise figure, but a rough estimate could be obtained by taking the price on any given day and the quantity sold.

I saw a figure of \$55 million as an estimate of the additional amount producers might have received over that period. Having said that, I want to make it quite clear that I am in favour of this bill. The point I am trying to make is that the producers themselves have already made a contribution to stability by foregoing a higher price for some considerable length of time. Having done that, they are now very anxious to get some real protection in the form of a guaranteed price.

Mr. Vogel: That is absolutely correct. From the producers' point of view, as well as from the board's point of view, the great attraction in this bill is in the floor price.

The Chairman: You cannot say whether the estimate of \$55 million is high or low?

Mr. Vogel: No. If \$1 a bushel is the correct figure, that would be about right.

The Chairman: It would not be far off, in any event.

Mr. Vogel: Probably not.

Senator McNamara: Are you able to tell us how much the board received from the government in the last pool?

Mr. Gordon Earl, Executive Director, Canadian Wheat Board: In round figures, \$64,027,000.

Senator Macdonald: How much of that was paid to individuals outside the designated area, such as individuals in Ontario and Quebec?

Mr. Vogel: None of it, senator. That was all paid into the wheat board for Western producers.

The Chairman: We will have the Ontario wheat producers present at a later date.

I wonder if I might revert back to your negotiations respecting the \$3.25 a bushel price. Was that a figure that was arbitrarily set by the government, or was there some discussion as to whether it might be too high or too low?

Mr. Vogel: There was discussion on it, Mr. Chairman. My recollection is that the original proposal was somewhat lower. The eventual result was agreement on a price of \$3.25. Also, originally a shorter period was proposed. That did not appeal to us. If the protection is going to mean anything, it has to be for a long period of time.

Had it been a three-year period, for example, looking at it with hindsight, in the first year the producers would lose because the price was going up above the calculated maximum. Also, there was a fair chance that that could continue into the second year. The odds were two to one against the producer. He might have made something by way of the floor price in the third year. Therefore, the longer period appealed to us, particularly with this review provision in it.

Senator McNamara: Again on that subject, Mr. Chairman, just to refresh my memory, under the minimum price which was in effect previously, the government authorized the board to sell wheat for human consumption, regardless of the mill price, at \$1.95?

Mr. Vogel: That is correct.

Senator McNamara: So, this increases the floor price from \$1.95 to \$3.25?

Mr. Vogel: Yes. There is quite a long chapter and verse on this. Actually, in the past five or six years we have gone through three or four different domestic selling prices. The price of \$1.95 was the first one, and that was probably in place for the longest period. It was related to the International Wheat Agreement price. It prevailed at a time when the export price was down at \$1.60 or \$1.65. Then there was another price which was around the \$3 level, and which was in place for an interim period. Finally, there is the floor price which we are discussing today.

The Chairman: If there are no other questions from honourable senators at this point, Mr. Chambers has one or two questions.

Mr. Albert Chambers, Research Assistant to the Committee: Mr. Vogel, as far as the Canadian Wheat Board is concerned, what regulates the price of wheat sold in Canada for human consumption? Does the act regulate that price?

Mr. Vogel: The act established the price at which the wheat is sold for human consumption in Canada, yes. I am talking now just in terms of bread wheat, for simplicity. The mills pay us \$3.25. That is the value, that is the price, of the wheat component in the flour and in the bread used in Canada.

Mr. Chambers: I do not quite remember, at the moment, but under the Canadian Wheat Board Act, it is established that you sell at \$3.25 to mills. Would that have any effect, as far as you are concerned, as to what price you would sell at? Would you then run on the basis of this act?

Mr. Vogel: In the absence of such legislation, I presume we would be charging the same price domestically as that at which we sell for export.

Mr. Chambers: So in fact you consider this bill both to provide a consumer subsidy and to regulate the price of wheat in Canada.

Mr. Vogel: Yes, it does.

Mr. Chambers: The second question I have is really about wheat—

Mr. Vogel: —for human consumption?

Mr. Chambers: Yes, I am speaking only of that. Under normal circumstances, if you were negotiating for sale with someone other than the Canadian populace, you would have a contract, I assume. You do not have a contract in this case, do you?

Mr. Vogel: No.

Mr. Chambers: Would you like to have some kind of contract? I mean, would you rather, in 1973, have sat down and negotiated a contract on a long term basis for the sale of Canadian wheat for human consumption, which had options in it for renegotiation, and things like that, that might appear in other forms of contract?

Mr. Vogel: I suppose that is another way by which it could be done. It would be a negotiation with either the government or the mills, under this legislation, for example, if it is passed. The legislation provides for the price of wheat, but then our sales contracts are with the mills. Under your idea it could be the one or the other. What you are suggesting is a negotiation with the government each year, as a result of which we would come out with a price of \$3.25 or something else that the mills would pay. That is another way of doing it, but if you did it that way you would lose the stability factor of the underwriting-of the floor price—which is a valuable and desirable feature, and I would not regard it as an improvement, if it were subject to an annual negotiation as a result of which there would really be no floor price at all. It would be just like an ordinary export sale.

Mr. Chambers: If it were subject to an annual revision where there was a minimum guaranteed price, and in the contract was the option for a renegotiation and a revision in that floor price, to meet increased costs and to establish what would be a fair and reasonable price for Canadians to buy bread wheat at, what would you think of that?

Mr. Vogel: You are discussing the matter hypothetically now. Depending on how the section that your Chairman asked about is implemented and is calculated, the result might be much the same. You then do have the underwriting—the legislative underwriting—at the \$3.25 subject to this annual review.

Senator Macdonald: The annual review is just a review. There is nothing compulsory about changing the price.

Mr. Vogel: No, there is not.

Mr. Chambers: Since you believe that this act regulates the price of wheat in Canada, and considering that at an annual review, if it took place, it was decided that some upward movement in the \$3.25 price was necessary, would it be your understanding that it would take an act of Parliament to achieve that?

Mr. Vogel: No, I would think not. An order in council would do it.

Mr. Chambers: An order in council would change the statutory rate based in the act itself?

Mr. Vogel: Yes, that is our understanding. By a change of the regulations it could be accomplished.

Mr. Chambers: By changing the regulations under the Canadian Wheat Board Act?

Mr. Vogel: Yes.

Mr. Chambers: You do not know what effect that would have on this act. We are talking of two different acts. You have a regulation that tells you at what price to sell wheat, under the Canadian Wheat Board Act, to millers in Canada for human consumption. What I am trying to find out is, if there is a change, do you know whether it would take an act of Parliament to affect the subsidy, or whatever it may be? We are a little bit at a loss about this.

Mr. Vogel: Our understanding, Mr. Chambers, is to the contrary, that the act provides for the \$3.25 minimum; but by regulation we could be instructed to sell to the mills at above that.

Mr. Chambers: So your real guarantee, then, is your regulations, and nothing more.

Mr. Vogel: No, the \$3.25 minimum is spelled out in the legislation.

Mr. Chambers: But it is only used for the calculation of the base price in the legislation.

Mr. Vogel: As a minimum price; as a floor price.

The Chairman: Your regulations could not put the price below \$3.25, but they might put it above.

Mr. Vogel: Yes.

Mr. Chambers: You are certain of that?

Mr. Vogel: As certain as I can be.

Mr. Chambers: Well, I just fail to understand the mechanism of how it is done, because there is nothing in the act which suggests it regulates the price of wheat in Canada sold for human consumption. Perhaps you could supply us with the answer to that.

Mr. Vogel: As I said in my opening remarks, it is a combination of the act and the regulations that accomplishes it, and the sum total of the two is the \$3.25 minimum.

Mr. Chambers: Then it is your regulation that regulates the price of wheat in Canada.

Mr. Vogel: Yes.

Mr. Chambers: And by your regulation the price of wheat is regulated because you have the monopoly, perhaps.

Mr. Vogel: That would be a different instruction—a different order in council—but I am talking about a regulation to the Canadian Wheat Board—the same type of regulation, in fact, that instructed us to sell in the past at \$1.95½ or \$3, or whatever it was.

Mr. Chambers: But you agreed originally to an arrangement of \$3.25 or \$4.50. Is that correct?

Mr. Vogel: Where did the \$4.50 come from?

Mr. Chambers: The \$4.50 was the top price on September 9 or September 3, or whenever this was announced, in 1973.

Mr. Vogel: It was \$3.25 plus \$1.75 as long as the export price was over \$5.

The Chairman: I think there were a few days when it was a bit lower and they upped it, although I may be werong. There was a short period when it seemed to be lower.

Mr. Vogel: It went up rapidly after that. That is what you are saying.

Mr. Chambers: Yes. There were changes that came about quite quickly.

Mr. Vogel: Yes, there was that involved.

Mr. Chambers: At the time you agreed to \$4.50 you were perhaps not thinking of as high an export price as was arrived at soon after that, perhaps.

Mr. Vogel: Who knew? In fact, it did happen because of crop conditions that fall. That is one parameter. The other parameter is one that I hope we will not see, but with prices moving the way they have been lately, you have at least to keep it very much in mind. The other parameter, the \$3.25, will be of great significance.

Mr. Chambers: I have just one more question. You spoke earlier of when you were balancing off the number of years. You said you thought the arrangement should last, regardless of whether it should be three or five, or, as we had announced, seven years. Would you be more happy if it were sort of open-ended, and just lasted forever, with the possibility, of course, of change, if 1980 was not your date? Obviously, then, the farmers would benefit again in the long run.

Mr. Vogel: I can only express a personal opinion here. I am happy with the seven, rather than the open ended idea, until we see how it works, and we see how this annual review is implemented and carried out.

Mr. Chambers: Do you expect to be involved heavily in the annual review? You do not know how you are going to be involved in the annual review.

Mr. Vogel: No, we do not.

Senator McNamara: May I interrupt? If my recollection is correct—and I am sure it is—the basic instruction to the Canadian Wheat Board was to sell the wheat delivered by its producers in the best interests of the producers, and failing any other government action, such as this bill or regulations, or instructions to the board regarding domestic wheat, the board would be selling wheat to what they considered to be the best advantage, not only to the exporter but to the mills.

I think Mr. Chambers implied that all sales are on long-term contracts, which is not right, of course. Many of the sales, until very recently—in fact, most sales—were just during the day, at various prices—that is, not on a long-term contract, and without any agreement at all.

The point I want to make is that it is a government instruction to the board regarding these sale prices, and the board, in dealing with the government, I assume—I am quite sure I am right—negotiated the period of time for the prices in what they considered to be the best interests of

the producer. They are prepared to take the responsibility for that decision, with which I am in full agreement.

Mr. Vogel: I perhaps should amplify what I said in answer to Mr. Chambers' question. We were consulted. There was some negotiation, in that sense of the word. The original price could have been lower, and the period could have been shorter. We finally came out with what we thought was an arrangement that was in the best interests of the producers.

The Chairman: Well, I think it is fair to say that one of the reasons why the vast majority of grain producers in Western Canada support the Wheat Board system, and the Wheat Board itself, is their belief that the wheat board and its present officers are carrying out precisely what Senator McNamara has outlined, namely, the operation of the wheat board in the interests of the wheat producers. I certainly go along with that, and our questioning was only to make sure somebody was not twisting your arm more vigorously than we thought should be the case. Obviously, you also supported the interests of the producers, which you have done publicly, and, I am sure, privately as well.

Can we go from Bill C-19 to our consideration of the annual report?

Senator Macdonald: May I ask just one more question, Mr. Chairman? I notice in this bill there is a provision for an annual review. I looked at another bill which is now before the Commons, which I believe is known as the Agricultural Stabilization Act, in which there is provision for indexing. It is set right out in there. In this one there is no reference to that. Is there any reason that you know why there should be a form such as that in one, and not in the other?

Mr. Vogel: That is a question you would have to ask the government, senator. This particular section, that we have mentioned a number of times now, is inserted as an amendment, and I presume that that was as far as the government was prepared to go.

Senator Macdonald: Thank you.

The Chairman: We will now deal with the annual report of the Canadian Wheat Board.

Senator McNamara: We will come back later, *in camera* probably, to a consideration of this?

The Chairman: We shall have other public meetings on this, of course. We have the Farmer's Union and the Ontario Wheat Board, so our formal dealings with the bill are not concluded. We will be back to it. It would not think we would be back to it today, but certainly we will be back to it.

Returning to the report, I believe, Mr. Vogel, that this is the first committee of Parliament that you have appeared before to discuss this annual presentation. I am not really sure that I am right about that, but in any event, I know the Senate Agriculture Committee is delighted to have you here and to have your report for the crop year 1973-74 before them. I believe all senators have copies. Our distribution office was very reluctant to release them and they requested that we return to them as many as we can, because they are in short supply. Each one of us has already received a copy in the mail, I believe.

In the Commons agriculture committee, in years gone by, we used to take the report paragraph by paragraph, or page by page. I do not know how you want to deal with it today, but I presume we should ask Mr. Vogel and Mr. Earl to make whatever general or brief review they wish. It does not necessarily need to be brief, but I suggest that they make a review of the year in question, and then perhaps we could go through the report rather hurriedly, but in a systematic way. Is that satisfactory?

Would you care just to give us a picture of the year, Mr. Vogel? We all want to know what the present and the future holds, too, of course.

Mr. Vogel: Yes. Mr. Chairman. The difficulty with dealing with such a report is that by the time we have discussed it it is already history. It speaks for itself, of course, but this was a year particularly worth noting, I think. It had its ups and its downs. It is a question of whether you want the good news or the bad news first. The good news is that it was an epic year with respect to the total return to the producers. The total amount paid out was, to us, extremely gratifying. We felt that at long last the producers were coming close to getting the value that more accurately represents a proper return on their labours and their risks.

For 20 years, agricultural prices generally, grain prices included, dragged behind the prices of all other commodities. In 1972, the price of wheat was not much different from what it had been in 1952. It was obvious that this could not continue. Farmers could not produce at such prices. The dramatic upward turn in prices started in 1972. Because it happened comparatively suddenly and rather dramatically, it attracted a great deal of attention and created the impression in the minds of many people that it was too extreme and unwarranted. Many other adjectives were used. It would have been much healthier had the price increase been more gradual over a period of 20 years in the same way other products increased in price. When it did happen, it was like a dam breaking.

We saw the reflection of that fully by the 1973-74 results. The amount of money which the board paid out in initial payments, adjustment payments and final payments made history. There had not been anything like that previously. For that reason, it is a year worth remembering. I hope there will be many like it in the future, and even better.

That is the good news. The bad news is in relation to 1974-75 rather than 1973-74. It came about as a result of the poor harvest in the fall of 1974. It was a very late spring. Large areas of the Prairies were not seeded until the first two weeks of June. By June 15, there was still land that farmers wanted to seed, but it was too late to do it. By June 15 you could see that trouble was almost inevitable.

Taking into consideration our normal span of days, our normal growing season, and the probability with respect to frost, you could see that there was going to be trouble. It turned out that we were even more unlucky than that. The frost did come. It was not the earliest on record, but it was abnormally early. We had a severe frost and quite a general one on Labour Day weekend. Labour Day weekend was quite early last year, falling on September 2 or 3. Sadly, the weather then improved and was quite good for the following two weeks. However, the damage had been done. There was a vast amount of frost damage. Rains then set in before the harvest could be completed, compounding the trouble. In addition to the frost damage, the heavy rains resulted in more damaged grains.

A normal Canadian crop produces, perhaps, 85 per cent in the high grades and only 15 per cent at the most in the

lower grades. Instead, we ended up with a situation where at least two-thirds of the crop was not only in the lower grades, but in almost the lowest grade, with very little in the high grades. That made for a difficult operation all year, because our normal role in the world has been as a supplier of high grade wheat, the bulk of our supplies of which were what was carried over from the 1973-74 crop year.

In a nutshell, Mr. Chairman, I think that is probably all I can say.

The Chairman: What about your transportation difficulties?

Mr. Vogel: Well, I do not suppose there has been a worse year in that area, not so much directly related to transportation difficulties, but interruptions generally, either because of transportation or because of labour-management disputes. The port of Vancouver attracted the greatest attention, and quite rightly so. It was closed down for a large part of the year. Other ports were also affected. Also, we had the whole Great Lakes fleet our of operation for about a six-week period during August and September of last year. In addition, there were strikes involving stevedores, weighmen and inspectors.

All in all, 1974-75 has been a very trying year. I have said publicly—and I have no hesitation in repeating it today—that 1974-75 has been a year in which we have lost much of our reputation as a reliable supplier. In some cases, it appears to be a permanent loss. One can hope that as time goes on and as memories grow dim, we might regain what we have lost.

Senator Macdonald: Is that because you could not meet your delivery dates?

Mr. Vogel: That is correct, senator. Demurrage is a relatively small part of the problem. The main loss of reputation came about as a result of the buyers being let down. As a result of our difficulties, they had to make emergency purchases elsewhere, or close down their mills. In addition to that, there is the amount of business we lost over that period.

Transportation and handling facilities are not a storable commodity. You cannot accumulate them. You either use them or they are lost. We lost a great deal of time and business. There is absolutely no question about that.

I did not mention these particular factors earlier, Mr. Chairman, because, although they were bad in 1973-74, they were so much worse in 1974-75.

The Chairman: To what extent are some of your delivery problems associated with an inadequate transportation system, inadequate elevator facilities, and so forth? Is that a very substantial part, or do delivery problems mainly result from strikes in the transportation industry or a poor harvest?

Mr. Vogel: I think that over the next five or ten years, Mr. Chairman, our elevator system will certainly require close examination and possibly restructuring, and similarly, our railway system. However, these were not the main problems in the period we have been discussing. I cite as an example how quickly we were able to catch up using our present facilities once the labour difficulties had been resolved. Goodness only knows how well we could do with our present facilities if they were given an opportunity to be tested without interruption over a long period of time.

The Chairman: How many elevator companies and managers are there? How many elevator facilities are there to which farmers can deliver their grains?

Mr. Vogel: I do not have the figure respecting the total number of country elevators. If I remember correctly, it is still about 4,800. That does not necessarily mean that there are 4,800 managers. Many companies have doubled up with one manager looking after two elevators. Also, if I remember correctly, there are around 1,600 or 1,800 delivery points.

The Chairman: My own impression as a farmer is that the current elevator system, given the boxcars, is quite capable of handling the situation. The basic trouble, as you have stated, is not that the present system has worn out, but that it has not been operated to its fullest capacity because of labour-management disputes. When I see my local elevator agent staying after hours and loading boxcars and clearing my seed wheat, and so on, I am left with the impression that the present system, if operated to capacity, would result in satisfactory delivery of grains to the board in the quantities the board wishes.

Mr. Vogel: That is right, Mr. Chairman, although I would put one qualification on what you have just said—in fact, on what I said also—and that is that there was a period during 1973-74 when there was very definitely a shortage of railway cars, not only for grains but for all commodities. That came to a peak in the spring of 1974.

You may remember the conference convened by the Minister of Transport at that time. Very clearly, the railway industry generally did not take into account sufficiently ahead of time the growth in the Canadian economy which took place at that time. Everyone was screaming for boxcars, and no one was screaming louder than we were. The shoe is on the other foot now. A shortage of boxcars is certainly not a problem now.

Senator Norrie: Can you tell us how many farmers have been forced into bankruptcy because of poor service in the transportation sector?

Mr. Vogel: There is no way anyone could answer that question, senator. The number of farmers does decrease every year. The number of our permanent holders, which is an index, if you like, does decrease every year. That is not to say that farmland is going out of production. It simply means that the smaller farms are disappearing and are being absorbed by the larger units next to them.

Senator Norrie: Has there been an increase in the number of smaller farms that have been disappearing?

Mr. Vogel: An escalation?

Senator Norrie: Yes.

Mr. Vogel: I do not think so, no. There has been quite a steady decline. Perhaps there has been a slight escalation over the last four or five years.

Senator Norrie: Even with all these poor services, farmers can continue in business; is that right? It is certainly quite a different picture in the Maritime provinces. If we have a bad year or two, we are out of business permanently. We have no backlog.

Mr. Vogel: The farmers, for the most part, are able to continue in business, but with great difficulty. In my opinion—and perhaps your Chairman can answer this better

than—I think they were pretty well reaching the end of the road in terms of staying power at the time when things turned around for them.

The Chairman: The facilities, I think over a one-year period, or almost a one-year period, are there to accept the wheat that the wheat board is able to market, so those general difficulties over box cars and transportation really do not put anybody out of business. They may make things more inconvenient and they may cost the farmers something in their financing. If they have gone broke, they have not gone broke because they had wheat in the bin could not get it into the elevator on an existing quota. I think those quotas have been filled recently.

Mr. Vogel: If you look at table 25 in the statistics at the end of the annual report, you will see the number of permits issued year by year. This is on page 21. They did drop from 171,000 to 166,000 between 1972-73 and 1973-74, but that is not so much out of line. Between 1969-70 and 1970-71 there was a bigger, for example. It has been reasonably stable.

Senator McNamara: I want to follow up a little bit on the discussion about elevator facilities and transportation.

I think I agree with what the chairman advised about the facilities in the designated area that is, for taking initial delivery from the producers. Usually rail transportation is available to move the volume of grain that needs to be moved. Strikes, of course, and weather conditions, interrupt this program, but do you agree, Mr. Vogel, or do you still hold the belief, that if we had more storage facilities at the export ports, particularly in British Columbia—we know the market in the Far East has been expanding tremendously—it would be a terrific asset? You could then bring wheat into a storage position—and it is cleaned already—in excess of the need in terms of current demand and you would be in a position to roll in spite of some of these temporary delays. I think the attention of the government should be directed to extending the terminal facilities in Vancouver. I think that would be a great asset to the wheat board. Do you still hold that view?

Mr. Vogel: We do, and we have said it publicly numerous times within the past year. Such an arrangement would not protect you, of course, if Vancouver was strikebound, but it would protect you in the winter months if the mountain railway lines became snowbound. It would give a little greater degree of safety by way of buffer stocks in position at the coast.

Senator Macdonald: It would provide a good cushion.

Mr. Vogel: Yes.

The Chairman: Are there any other questions?

Senator Macdonald: May I ask one question here? It is just for my own satisfaction. I notice in table 24 the number 1 Northern had a selling quotation of \$5.49, and the payment by the wheat board, in table 21, was \$4.578. Would the difference be the cost of the wheat board's doing business?

Mr. Vogel: No, senator. The administrative cost of the board itself is only about one cent a bushel, and there are, of course, other very substantial costs of storage, interest, and other things. But you are really comparing apples with oranges when you look at those two tables, because one is simply an average. It is not a weighted average; it is

just an average. It would be meaningful if, in fact, you were selling exactly the same quantity each day, because then the average would be the final result; but that is not the way grain is sold. It tends to be a business of quiet periods, and then very active periods. It is obvious, I think, in grain, as in anything else, that you tend to get the higher prices towards the tail end of the piece, when supplies are becoming more limited. I know that after our payments were announced there was some publicity on this particular subject. People took the daily quoted prices and averaged them, and said, "Look at this difference." But it is like comparing apples with oranges.

Senator Inman: Mr. Chairman, how long can this wheat be stored, and for each year how do you equate the loss to a farmer for the wheat that is not sold?

Mr. Vogel: Well, the answer to the first question is that wheat can be stored almost forever if the storage conditions are proper. You probably know that there are some very interesting historical records as to how long wheat can be kept.

Senator Inman: Yes, 2,000 years.

Mr. Vogel: Fortunately, we have never had to keep it for 2,000 years.

With regard to the second part of your question relating to loss, I would say it is not necessarily a loss; it can be a profit. However, any wheat that is taken in during a crop year becomes wheat that forms part of that annual pool. There is a provision in our act which says that when the unsold supplies get down to a reasonable level—it is not a defined level, but a reasonable level, taking into consideration all the circumstances—we can sell what is left in the old account to the new account, and close out the old account. This is a delicate operation because you do not want to be too high or too low. If you are too high you have bonused the old account at the expense of the new account, or conversely. I suggest to you, however, that it is a most excellent section, because it allows our accounts to be paid, and our final payments to be made, reasonably promptly after the conclusion of each period.

The Australian wheat board has no such provision, and they cannot close an account, or close the pool, and make their final payments until not only every last bushel has been sold from that pool but, in the case of a credit sale, until the very last payment has been received against the credit. If you look at an annual report of the Australian wheat board you will see that at any time they have got 6, 7 or 8 pools still open that they cannot close. So that is the way we do it, and I think ours is a good provision.

The Chairman: I would like to have a look for a minute at page 17, chart 5. You might explain this, if you would, to the members of the committee. To me, it is a very significant chart. In a nutshell, it demonstrates the value of the Canadian Wheat Board, and I would suggest that the Canadian wheat producers are receiving, through this system, a greater return for their wheat than the American producers are receiving. Anyway, those are my comments, and I wish you would comment on that chart, because I think it is very significant.

Mr. Vogel: The chart is a significant chart. The conclusion you have drawn from it represents a really endless argument, because who knows in fact what the American producer does receive when he is selling on an individual basis from day to day? The United States Department of

Agriculture does eventually produce a figure which is supposed to represent the average farm gate price, but it is a very hard thing to compare with ours. What this chart shows is that we did not, and do not, find it necessary to follow every gyration of the American markets. If the American markets and world prices are in what we consider to be an unwarranted dip for extraneous reasons, and if, in our opinion, it is likely that the prices will reverse themselves, then you can see from this chart that we do not follow: we remain at a stable level.

In the period in question this happened two or three times, and you will see that we turned out to be right. It is a calculated risk, but this is a business of risks. We could turn out to be wrong. If we did turn out to be wrong, eventually we would have to follow prices down to the world level, which is in fact what has been happening in the last few months. The last few months have not been a period when we could just sit idly by. In circumstances where we think that the open market prices have gone down in an unwarranted way, or where we are in a position of being sold out for a certain number of months ahead and can afford to sit it out, and watch it for a few weeks, or for a month or two months, then we regard it as part of our job to not slavishly follow the movements of the market.

The Chairman: I wonder if you could give us a bird's eye view of what seems to be happening with regard to our markets in China, the U.S.S.R. and Japan. I know these markets have perhaps been hurt by failure to keep commitments, through no fault of the Canadian Wheat Board itself, but just how do we stand with regard to those markets in the future? They have been obviously very important, and we have done well in those markets. Do we have a good chance of continuing to do well?

Mr. Vogel: The U.S.S.R. is a market which blows hot and cold, depending on its own crop. It is a very large producer of grain, but at the same time it is a very, large consumer. It can be out of the world market entirely one year, and then be in it the next year for very substantial quantities. We think our relationship with them is still excellent. When they need grain, and if we have what they are looking for, we have an excellent chance of selling to them

In the past year or so they showed a definite interest in corn, which we could not provide. We tried to interest them in barley and low grade wheat instead, but it was corn specifically that they were looking for, so we were not a factor. In circumstances where we have what they are looking for, however, our relationship with them is still excellent.

We continue to have with them an arrangement whereby the U.S.S.R. buys from us each year quite a sizable quantity of wheat and flour for shipment to Cuba. The Russians pay for it, but it is shipped to Cuba. This has been an excellent outlet for wheat. It has also been an excellent outlet for our flour mills, and in addition it has given us a relationship with the Cubans which has led to direct business in other commodities. I was in Havana in January, and we appear to have a good continuing business there now in feed grains with them. They are building up their own feeding industry, and are buying feed directly from us because of the relationship which was established through the other connection. So the combination of bread, wheat and flour, paid for by the Russians, and feed grains paid for by the Cubans themselves, has meant that Cuba is a very interesting market for us.

With China we have a long term agreement. We got very badly behind with the Chinese because of the difficulties at the West Coast. Wheat that should have been shipped to China by the end of December was not shipped unit! May. Negotiations that should have taken place with China, therefore, in October and November for shipments from January onwards could not take place until March for shipments from May onwards. That is an example of what I meant by lost time resulting in lost sales.

Nevertheless, when the statistics for 1974-75 come out it will be seen that the quantity shipped to China is respectable. The total is a combination of two different contracts, the completion of the old one plus a new one, resulting in a good year with China.

Japan probably had the greatest difficulty. Japan does not maintain large stocks. They maintain only a two-month supply of wheat on hand at any one time, and when we shut down for any length of period it immediately imposes real hardships on the Japanese. They are faced with a considerable expense entirely apart from anything by way of demurrage charges, or expenses which we may be liable for on this side. In Japan they get involved in shifting wheat from one mill to another in order to keep the mills going. Japan, therefore, felt things much more keenly than any other country, and was hurt more than any other country as a result of the spate of difficulties which we encountered in Canada.

It is with Japan that I fear we have suffered a permanent loss to our reputation. I think any time we have disruptions such as we had last year we lose something, part of which we never regain. The buyers do exactly what we would do in the circumstances—they begin to think that perhaps they have too many eggs in one basket and that it would be safer to diversify. This certainly has happened with respect to Japan in the last few months. I can only hope, as I said earlier, assuming we can perform reliably and that our quality is good this year, that as time passes and memories dim we will, at least gradually be able to regain what we have lost.

Senctor Inman: I read just the other day that the Chinese are shipping a great many of their young people into areas that had not been previously cultivated in a effort to grow more of their own wheat and grains. Have you any comment on that?

Mr. Vogel: I think that is quite true, senator. I have visited China many times, as has Senator McNamara, and it is a very impressive experience. When you consider that the population of China is increasing at the rate of 10 million to 20 million a year, it is quite an accomplishment just to stay even. In fact, it has been doing more than that. It does import wheat, but at the same time it exports rice, which is sound business, rice being worth more than wheat.

China is now a net exporter of food. The total dollar value of her food exports exceed the value of her grain imports, and grain is the only food which she imports. Her exports are in high value commodities such as canned meats, canned vegetables and canned fruits. That is a tremendous accomplishment.

The Chinese themselves say that they continue to buy wheat because it is what they call an exchange of varieties. They are using the word "variety" a little differently from us. What they are really saying is that they are purchasing wheat, and selling rice.

Agriculture

I think, too, that in a country as large as China, and with the very many tasks which the Chinese have ahead of them, many of which they are in the process of carrying out, internal transportation is a great problem. Economically, it is probably cheaper for them to import wheat and grains to service the big port cities rather than bring in grains from the interior, which would be quite a problem for them. One has to remember that the big port cities of China, in terms of population, add up to a country in themselves. I think Shanghai has a population of 14 million, Peking has a population of 7 million, and Canton has a population of 4 million. Those cities represent quite a market in themselves.

Senator Norrie: Can you tell us what quantity of corn is grown in the West?

Mr. Vogel: We grow virtually no corn at all in the West. The climate is not particularly good for corn. Scientists are now working on new varieties which appear to be doing reasonalby well, but this is still very much in the experimental stage. It is being done more for the distilleries than for food purposes. The only substantial volume of corn in Canada is the corn which is produced in Eastern Canada.

Senator Lafond: Mr. Vogel, I am wondering whether at this point in time you have any idea as to the prospects for this year. Are we going to have a good, bad or indifferent year? How much acreage has been seeded so far this year?

Mr. Vogel: To answer your question, senator, one could not say it will be a good, bad or indifferent year. The only thing one can say at the moment is that that is a question mark.

In Canada, the seed is only now in the ground, and in the rest of the Northern Hemisphere the next two months will be vital. There are many factors which will determine whether it is going to be a good, bad or indifferent year, and to express a more positive opinion at this stage, I think, would be to mislead you.

As far as acreage is concerned, Statistics Canada will be releasing those figures shortly. Our report indicates that something in the order of 90 per cent of the seeding is now completed in Manitoba, Saskatchewan and Alberta. That probably means that virtually all the wheat acreage has been seeded, because other grains are generally seeded later. If that is so, it will mean something in the neighbourhood of 21 million acres of bread wheat, and perhaps around 3 million acres of Durum wheat.

Senator Macdonald: Would you care to comment on the use of the port of Churchill, Mr. Vogel? I notice that the U.S.S.R. seems to be the only one using it to any extent.

Mr. Vogel: Not really, senator. The U.S.S.R. is not a factor at Churchill. We utilize Churchill to the maximum extent possible. Our responsibility is to get the best return for the Western producers, and if we can get even a one cent per bushel premium at Churchill over the Thunder Bay price, then it is in the interests of the producers to sell the maximum amount possible out of Churchill. The port of Churchill does, however, have limitations. It is open for only 10 or 12 weeks a year. Even if you add a few weeks to that, it can still handle only a limited quantity.

It is an excellent terminal, and I pay the highest tributes to the staff of that terminal. The morale and esprit de corps is excellent. They work 24 hours a day, seven days a

week. The rest of the country could follow their example to great advantage.

Some of the disadvantages of the port relate to navigation. Ice damage is suffered by some vessels, and this tends to make the owners of the vessels a little wary. There are also some insurance disadvantages. However, those are not all that serious, in my view. The main disadvantage of Churchill is the time of year at which it is open. It is open at a time of year which does not coincide with the peak buying period for most buyers.

For those reasons, we play Churchill each year by ear. We sell the largest volume possible of whatever grains appear to be saleable through Churchill. You will notice that we have changed over from wheat to barley at Churchill, and this has worked out very well. Churchill this year will again be mainly barley. There may or may not be some wheat sold out of Churchill. How the port of Churchill will do will be part and parcel of how all the ports will do, and that, in turn, will depend on what sort of year we have.

As I said earlier, there has been a delayed harvest in the United States. New crop U.S. winter wheat, as a result, is late in getting to the Gulf of Mexico ports, and we are already seeing a reflection of that. We are getting inquiries and some business because of delays at the Gulf of Mexico ports. In this instance, the shoe is on the other foot.

Just yesterday there was a report from Australia stating that the State of New South Wales, which produces one-third of the wheat grown in Australia, has had the driest May and June since 1917. It went on to state that unless they get rain very quickly, New South Wales could produce only 35 million or 40 million bushels of wheat, instead of 100 million or 120 million bushels. These are the kinds of situations that we face daily at this time of year. This is what we call a "weather market," and only time will tell what the results will be.

The Chairman: Senator McNamara referred to the need to increase terminal facilities. Looking to the future in terms of terminal facilities, do you see the need for any government support in this area that you are not getting, or are you satisfied with things the way they are?

Mr. Vogel: Generally speaking, Mr. Chairman, I am satisfied. I am still not satisfied as to whether or not the new domestic feed grains policy is working adequately. It is probably true to say that it has not had a real opportunity to work yet, because it started in a year when the quality of our crop was as I have described to you.

Our initial payment had been set at a level for the year on the lower grades in a way which might not have been done had we known what the year had in store. In addition, the domestic market was hurt by the same transportation and labour difficulties which all movements felt. With that one qualification, things are going reasonably well under our present terms of reference.

The Chairman: Do you see the new elected advisory committee as a strengthening feature for the Canadian Wheat Board operation?

Mr. Vogel: That will depend, Mr. Chairman. To us the advisory committee is a means not only of getting advice but, just as importantly, a way of conveying information back to the farmers, and time will tell the extent to which an elected advisory committee can do as good a job, or a

better job, than the old form of committee. I do not know the answer to that.

The Chairman: There appear to be no further questions, so on behalf of the committee I would like to thank Mr. Vogel and Mr. Gordon Earl for appearing before us this morning. I think the Western wheat producers are happy

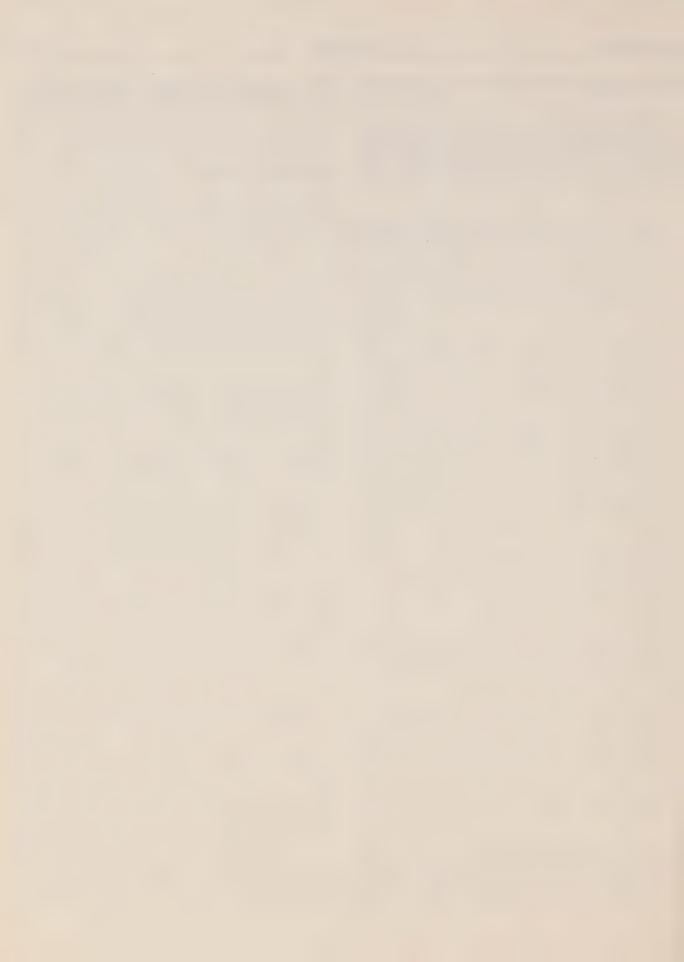
with the personnel of the board and the operation of the board, and I think our role is to give you whatever support we can in your continued successful operations.

Mr. Vogel: Thank you very much, Mr. Chairman.

The committee adjourned.

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada



Government
Publications



FIRST SESSION—THIRTIETH PARLIAMENT
1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

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Issue No. 21

THURSDAY, JUNE 12, 1975

Third Proceedings on Bill C-19, intituled:

"An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada"

(Witness: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue McDonald Blois McElman McGrand Côté *Flynn McNamara Fournier (Restigouche-Michaud Gloucester) Molgat Greene Norrie Haig *Perrault Sparrow Hays Williams Inman Lafond Yuzyk—(22) Macdonald

*Ex officio members

(Quorum 5)



Order of Reference

Extract from the Minutes of the Proceedings of the Senate, May 21, 1975;

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Molgat, seconded by the Honourable Senator McDonald, for the second reading of the Bill C-19, intituled: "An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Petten moved, seconded by the Honourable Senator Giguère, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Thursday, June 12, 1975

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 3:30 p.m. to resume its consideration of Bill C-19, intituled: "An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada".

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Greene, Inman, Macdonald, McDonald, McNamara, Michaud and Norrie. (9)

In attendance: Mr. Albert F. Chambers, Research Assistant to the Committee.

Witness:

National Farmers Union:

Mr. Roy Atkinson, President.

Also present but not heard:

Mrs. Cécile Smithers.

After discussion of said Bill, and with the consent of the Committee, Mr. Atkinson commented on the question of Crop Insurance presently being studied by the Committee.

At $4:40~\mathrm{p.m.}$, the Committee adjourned to the call of the Chair.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, June 12, 1975

The Standing Senate Committee on Agriculture, to which was referred Bill C-19, to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada, met this day at 3.30 p.m. to give consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we are peased to have with us this afternoon Mr. Roy Atkinson, President of the National Farmers Union. He has just introduced me to a lady connected with the National Farmers Union and stationed in Ottawa, Mrs. Cécile Smithers, who is in the room with him today.

Perhaps some explanation needs to be made as far as some of the general assumptions in the brief are concerned. Mr. Atkinson could himself explain, but perhaps I should make some explanation first. Mr. Albert Chambers, our research person in his usual vigorous manner drafted, merely as research papers some amendments that he thought might improve the bill. I have seen a copy of them and understand that copies have been circulated to members of the committee. In any event, they were to be the subject of a future discussion among the senators themselves. I understand that these initial research ideas were sent to Mr. Atkinson and. whatever happened, he assumed that this was the position of the Senate. However, the Senate has not seen them, much less considered them. Nevertheless, we would like to hear your opinions with respect to them and Bill C-19, but I thought I should make that explanation for the record.

So, without further ado, I call on Mr. Roy Atkinson to make his presentation with respect to Bill C-19.

Mr. Roy Atkinson, President, National Farmers Union: Senator Argue and honourable senators, it is my pleasure to have the opportunity to appear before this committee today to discuss the question of the two-price wheat system as it relates to Bill C-19. The submission which we are making to honourable senators today was based on what we thought was the specific subject matter under discussion with the senators. However, that was incorrect, as Senator Argue has explained. Nevertheless, we will proceed on the basic questions that led to this discussion of the bill by the senators.

One of the most important aspects that needs consideration in terms of the two-price wheat system has to do with the principle of a floor and an adjustment to that floor over time, or a periodic adjustment to that floor, that results from a continued escalation of costs of production.

Probably the best way to describe the, I think, phenomenal increase in production costs is to look at page five

of the submission, Example 27, bearing in mind that the program was implemented for a commencement date of October 22, 1973. What we have chosen to do by comparison is to take the index of all farm inputs for the third quarter of 1973, which is comparatively the same starting point. If one relates the 173.3 index to 1961, and then for the purposes of the calculation uses 173.3 as 100, then examines the changes in the index of farm costs, if the base price-I guess it is now commonly called, or will be known as, the prescribed price—is \$3.25 for bread wheat, hard red springs, and \$5.75 for durum, applying that formula it can be seen that the adjustment can bring the base from \$3.25 in the case of bread wheat to \$3.66, and in the case of durum from \$5.75 to \$6.48. That re-emphasizes the question. It shows the dramatic increase in costs that is now generally taking place at the farm level.

Maybe I could give an illustration as background. In the month of August, 1974—which is generalized—if one compares farm revenue to farm costs, not confining it to grain income but taking the whole of the agricultural economy, it will be found that farm costs equal farm revenue, so we are going back into what used to commonly be called a cost price squeeze. We believe that this round the impact will be even more significant than in 1968, 1969 and 1970.

To sum up, we have taken the ideas—as I should perhaps call them rather than proposals—that came to us as they relate to Bill C-19, and on the basis of those ideas we made an analysis and proposed certain modifications to them, basically the idea of indexing the base price in a way that will reflect the continuing changes in production costs. It must be remembered that the legislation is for a period of seven years, and our experience in the grain economy has sometimes been that they can be seven long, lean years. Having learned from that experience, we would think it sensible to establish a mechanism that is triggered automatically when certain conditions are met to reflect the change in those conditions, in order to protect the legitimate needs of the producers of those commodities.

The Chairman: Thank you, Mr. Atkinson. The bill before us, as you know, has been amended from the initial bill presented to the House of Commons, and it provides for a ministerial review. I could read it out, but it makes that provision. Mr. Vogel of the Wheat Board was here yesterday, and he feels that such a review is important and valuable, as do others, in that it would likely lead to an increase in the floor price. What would your comment on that be? How significant do you think that review would be?

Mr. Atkinson: A mechanism to reflect automatically changing conditions is, in fact, essential, given the duration of the proposal. Our experience has led us to an

understanding that on questions of this nature the legislation itself should contain the terms and conditions that automatically trigger that kind of adjustment, rather than leaving it to the discretion of a minister. We think it is essential to put it into place, because too many times judgments may be made too soon or too late with too little.

Senator Macdonald: I took it from the remarks of the minister when he appeared before us on June 5 that basically he objected to indexing the price, because with reference to the price of growing wheat for human consumption in Canada he said so many factors entered into it that it would be almost impossible to get an average production cost. On your index you take the input of all farms, do you?

Mr. Atkinson: I would not want to imply that it is a simple task. On the other hand, I would not want to leave the impression that it is an impossible task. One of the things we have observed through our analysis of farm costs within the grain growing regions of Canada, using the designated Wheat Board area as an example, is that, while the elements that go into farm costs per bushel of wheat may vary from region to region, the aggregate cost is basically the same whether it is in the great plains area of southwestern or southern Saskatchewan or the parklands of the northern regions. Whereas in the south there are extensive large acreages with lower yields, in the north there are intensive not so large acreages with higher yields. However, the overall cost per unit of production remains fairly constant. We were surprised when we examined that question.

Senator Macdonald: So you think it would be possible to index?

Mr. Atkinson: I think it is possible to make a judgment on that question and work in an indexing formula such as we have proposed. Nowadays the provinces have some accounting systems; Many of the farmers are on cost accounting systems that are processed through Canfarm or other agencies, which gives us a fair idea of reality. I think there are some practical illustrations on which we can draw. I suppose the other point I would wish to make is that when one examines a random sample such as that one has fairly accurate data upon which to make a judgment.

Senator McNamara: Referring to the bill that is before us, without any regard to these proposed amendments—I have been away for some time and had no knowledge of them until this afternoon so I would not wish to discuss them at this time; I intend to discuss them some time later, maybe in camera—while I fully understand the natural regard to the price level, the duration of the contract entered into by the Wheat Board and the government, and the necessity of indexing, can I assume that your organization is still in favour of a two-price system for wheat in Canada whereby the producer is guaranteed a minimum price hopefully related to a large degree to the costs of production in exchange for a ceiling that they accept regardless of world prices? Is that principle still advocated by the Farmers Union of Canada or is it not?

Mr. Atkinson: With the qualifications or the caveat that I have placed on it, that is to say that if costs escalate, then the floor should move up. But we absolutely accept

the principle that from the point of view of managing the Canadian economy it is important that the essential elements, for example the cost of grain that goes into bread, should be predictable. This is one way to make them predictable. Then certain other policy judgments can be implemented to serve in the long-term interests of the general economy of the country. So, Senator McNamara, my short answer is yes.

The Chairman: Would you rather have the bill as it is than no bill at all?

Mr. Atkinson: That is a very difficult question. I would answer it by saying that I would hope that the combined collective wisdom of all parties involved could be brought to bear on the bill, and that the necessary modifications can take place, because I do not think the modifications I am proposing, for example, are unreasonable. The members of the organization that I represent accept the principle that world conditions should not dictate domestic conditions in the sense that if the world price for grain should rise far beyond what is necessary to sustain a farm or a farmer we should take advantage of that opportunity to create disfunction within the economy. On the other side of the question, we have experienced, as you have yourself, Mr. Chairman, the situation where productivity had increased rather dramatically per capita in grain production and agriculture, and yet the rewards were inverse to the increase in productivity. We hope we have moved to a more enlightened position in taking an objective look at that. So I think, senator, that I would have to say that I would not want to answer the question you put to me because I think it would be unfair of me to do so.

The Chairman: I take it from what you have said that it is better to have this bill, because the people who bring their minds to bear on it in the future would not only maintain the \$3.25, but I would expect there would be an adjustment in the light of rising costs. If there were no rising costs we would all be happy.

Senator Greene: I understand this to be just one factor in a policy to attempt to stabilize farm incomes. It is designed to give the farmer a better idea from year to year of what his income is likely to be. Now bearing that in mind and the fact that this is a contractual relationship essentially that is involved in this bill, and you suggest that the bottom half of the contract should be adjustable on the basis of increasing costs, would you also suggest that the top end should be adjustable if world prices should go beyond the expectations on which the bill is conceived? You suggest that in those circumstances there should be a greater return to the treasury or to the consumer? In other words, should it be more flexible at both ends or only flexible at the bottom?

Mr. Atkinson: If I understand your question correctly, senator, my answer to you would be that if the bottom end is a contract, with the absolute assurance that the return to the producer will not go through that bottom end, and if it is subject to review with an indexing factor, and bearing in mind that there ought to be a limit to what a product is valued at, especially a product that is essential to sustain life, then we would be prepared to exchange the security at the bottom, under those conditions, with a limit at the top. I suppose that once one got to that limit, and if the costs at the bottom were adjusting,

then it would automatically bring itself under review because your costs would have gone through the ceiling and it becomes a subject open for negotiation. I think that is a fair exchange.

Senator Greene: Well, I would like to question just one of your presumptions; on the question of costs at the top, the world cost of commodities, if the price of oil goes up, so surely should the price of wheat go up.

Mr. Atkinson: Yes.

Senator Greene: So it is beyond the control of any one industry.

Mr. Atkinson: That is why we think that you have raised a very important point. We know now that energy costs are going to rise, because we have already had that indicator. Now energy forms a very significant element in your cost of production, both energy used directly in production and energy used indirectly in the materials that go into production or in the technology that goes into production. All these factors need to be taken into consideration when the review takes place. Now referring to your observation that there are external forces that have internal implications, it seems to us that the more variables that we can bring under management internally. the greater the amount of internal domestic economic and political stability we can achieve. If we are not able to do that, then of course, the thing becomes unglued and unstable. I think that is one of the realities we face.

Senator Greene: I am a little concerned about your premise, which is in theory, a noble one, that this being an essential food, its price should never rise beyond that which is reasonable. That is very nice thinking. But it seems to me on the other hand that the Middle East countries are going to double the price of oil by political action and not by reason of any economic question of supply and demand. In those circumstances, surely, whether it is ignoble or not, other commodities which they do not have and which we may have such as cocoa, coffee, et cetera, have to double also if you are going to maintain any balance, and even if it is rather ignoble, because food is more essential than oil.

Mr. Atkinson: I am a human being, senator, who lives in this world. I suppose I am as full of contradictions as most people. I would not want to be dogmatic about my nobility. I would respond in this way and say that I think, so far as citizens of this country are concerned, that if we are going to execute our responsibility, both domestically and in external terms, who have to give a bit of leadership along the way. It is an impure world. If external forces create certain conditions which reflect themselves internally, I would presume that the indexing system would take those into account in establishing the domestice return.

With reference to the oil matter and the political decisions which have been made, I would not want to fail to put on record that some of those political decisions had been initiated through external forces. I have with me a book just published called *Global Reach*. It discusses trans-national business organizations, their part in the whole international execution of manipulating the flow of capital and commodity pricing, and that sort of thing.

We also have to look at it in a fairly objective way and say there are other stakeholders who have facilitated the current energy situation.

Senator McNamara: Mr. Chairman, are we not talking about wheat consumed for domestic purposes in Canada only—say about 50 million bushels, which might be 10 per cent or 12 per cent of our total saleable quantity?

If, as we all fear, global prices become entirely out of reach, based on oil fluctuations, the export price of Canadian wheat would still be related to the price of oil. This is a contract between the producers, the marketing board and the government for a floor and a guaranteed maximum—\$5 a bushel so far as the producers are concerned. It is really a Canadian deal. I think it could be justified without regard to the complications of the energy situation.

The Chairman: Are there any further comments? I think Mr. Chambers has a question or comment.

Mr. Albert Chambers (Research Assistant to the Committee): Mr. Atkinson, your brief suggests that the base price for Durum wheat should be higher than the base price for hard spring wheat—\$5.75 instead of \$3.25. I was wondering on what you base that decision?

Mr. Atkinson: I based it on what I understood the act to say. It is written in the act, as I read it, that the prescribed or base price of Durum—I suppose that is the maximum price for Durum domestically—is about \$5.75; and the maximum really becomes a base.

Mr. Chambers: If I could clarify the situation, you appear to be under a misconception. The price of Durum wheat is governed by the regulation under the Canadian Wheat Board Act—regulation SRO 73532—which establishes \$5.75 as the base price, upon which the subsidy will be added up to a price of \$7.50. If the export price begins to fall below \$5.75, the price of Durum falls below \$5.75, until it reaches the guaranteed minimum floor of \$3.25.

Mr. Atkinson: I was making my judgment on the basis that when the act becomes operative, that would be its effect.

Mr. Chambers: Not unless it is amended.

The Chairman: I think we have had corroboration of that from the minister and the chairman of the Canadian Wheat Board. The floors are the same; so the price of Durum, as I understand it, can come down—there is nothing to prevent it from coming down—to \$3.25 a bushel without anything being paid in. Before the federal government started to pay the subsidy, it was set at \$5.75. On top of that, they could pay \$1.75 to bring it up to \$7.50. Now, since it is below \$7.50, the \$1.75 has been reduced. My impression is that if it gets down to \$5.75, there is no federal subsidy, and from there on down to \$3.25 there is no federal subsidy. But there is a floor of \$3.25 on Durum, the same as on spring wheat. I interpreted the act in the same way, until I had it further explained.

Mr. Atkinson: How can I disagree with the Minister of Justice and you learned gentlemen?

Senator McNamara: Mr. Chairman, I was away when the minister made his observation. I have no fixed views, except that I would like to remind the chairman and Mr. Atkinson that this bloom on the rose, so far as Durum is concerned, is comparatively recent. We would be very ill-advised to think that Durum wheat will always command a premium of \$3 or \$4 over spring wheat. I know that when we were negotiating the international wheat agreements, part of the argument of producing countries was to try to get the price of Durum as high as the price of bread wheats. I am not so sure, the way prices are going, that those wheats will command these premiums. We might very well welcome a floor of \$3.25 on Durum wheat the same as on spring wheat if things go as bad as they were a few years ago.

Mr. Atkinson: My response to your observation, senator, is that your description is accurate. However, the situation may, in fact, be changing, in the sense of the whole question of the cost of conversion and the habits of a lot of people in the past. It seems at the moment that the trend is in the opposite direction. The other point is that, in terms of when times become a little more selective, the question then moves to a quality of Durum; and when you move to a quality of Durum, you are talking about the whole question of your added costs in order to produce that kind of product. If some consideration is not given to that, one could find a phasing out of that opportunity and going back into the generalized bread wheats. So I think there is an argument there to separate the two.

The Chairman: My impression is that Durum generally has carried a small premium over spring wheat. Sometimes there has been a discount. In my part of the country we felt in the past that it was more difficult to grow Durum wheat than spring wheat. Unless we had a margin of 25 cents or 50 cents a bushel, we were probably not interested in growing Durum wheat. I am informed that the price of Durum wheat in the United States today is about \$4.35, which I take it is about \$1 a bushel higher than their spring wheat, which would suggest that the margin is being narrowed between spring wheat and Durum wheat.

Senator McNamara: I hope we can continue to get a good premium for Durum. I am concerned about our future markets as they are enlarged. I do not think the Chinese will pay much for Durum, and I do not think the Japanese will pay much for Durum. The Russians will take it sometimes when they can get it at the same price, but I am far from satisfied that Durum is going to be a premium commodity for Western Canada.

Mr. Atkinson: The question of the Chinese potential and the Chinese market is an interesting one because, as I understand it, they initially were the ones who introduced pasta, which again was transferred to Europe. It may be that they are interested in better selections of Durums for that purpose. If they are, I suppose there would be a tremendous market there.

Senator McNamara: Mr. Atkinson, remember that in China the south is the rice producing area and the north is the wheat producing area, and they need transport to bring the wheat into the area in the north, where they

use wheat, and it is not as good as the pasta. So I think that our future in China is much more in bread wheat than in pasta.

The Chairman: We are fortunate in having Senator McNamara on the committee with his interesting knowledge of the grain business. Are there any other comments? Have we concluded this part of our discussions, then?

Senator Macdonald: The main suggestion is that I would like to see some kind of escalation clause in the act itself.

Mr. Atkinson: Yes. I just want to reinforce the whole question of the escalating clause. Senator Greene put it when he raised the question of increasing energy costs, along with many other factors, and he made that point, that costs are escalating much more rapidly than is generally understood. If that condition is going to persist, it is going to have profound implications, and under those circumstances we think that it is most important to work into the triggering device. When that happens, of course, and when you do feel you would have a triggering device, and the government itself has to make a judgment on that, it could come under some pretty heavy pressure when it ought not to come under any. That ought to be the question that Parliament deals with. If there needs to be some fundamental legislative change, that requires legislation.

Senator Greene: Do I take it from those words that your organization would prefer a mandatory review via Parliament rather than by the minister, or that the minister's review be accountable to Parliament?

Mr. Atkinson: The proposal is that the legislation contain within it an indexing principle which, when those conditions are met, automatically triggers a review, and the review is taken at that time, under the minister, without at that time having reference to Parliament.

My next point is that if things were to become unglued or a crisis were to develop which would require further action, then that action should be taken through the legislative process, through Parliament.

For example, we have this bill, this legislative action. The review should not require legislation. It should not require parliamentary action or legislative action, in the sense that someone makes a judgment on it, the conditions are met and the measurement is laid on. As a result of laying on that measurement in this instance the price is revealed and that automatically becomes the price.

The Chairman: Any comments?

Honourable Senators, if there are no further questions to Mr. Atkinson on his submission, with the consent of the committee, since, as you know, we are conducting an inquiry into crop insurance, and although Mr. Atkinson has no brief with him, I thought it might be useful to know whether or not the Farmers Union have any particular comments they wish to make on the general question of crop insurance. Is it agreed that Mr. Atkinson be asked to make any comments he wishes on crop insurance?

Senator Macdonald: Just before you do that, Mr. Chairman, may I ask Mr. Atkinson if he is satisfied with the term of seven years which is contained in the Act?

Mr. Atkinson: We have accepted the seven year time, basically on the ground that seven years is a period in which that particular thing can be brought into position or the variables can be controlled—with the qualification that I have outlined. We see no problem with the seven years, in that sense, but we do see a possible problem otherwise.

Senator Greene: You have biblical authority for seven years.

Mr. Atkinson: I suppose that if one really wanted to get down to the cycle of grain production and marketing, it should be at about nine years and six months or ten years, but I think the period of time is not really the essence of the question we are dealing with now. The essence of the question is the return to the producer during that period of time, the terms and conditions under which he is rewarded.

The Chairman: I will ask Mr. Atkinson if he has any brief suggestion as to what improvements might be made in crop insurance. It is a big subject and I know you did not come here fully researched on the question, but I am sure you have a good knowledge and of how it is being applied across the country.

Mr. Atkinson: Mr. Chairman, I must say I am not fully appraised of the situation. We do have a good person who is responsible for that area and we do have a committee working on analyzing the programs in the various provinces. Basically, what I would like to say is that in much of the country the program is just in the evolution stage. It has now begun to be either understood and accepted by the farmer, or is not completely understood and is not acceptable. I think when one looks at the numbers under grain insurance, in provinces like Alberta, Manitoba, Ontario, and to some extent Prince Edward Island, it has not attracted all that many people into the program. On the other hand, in Saskatchewan there has been a very sharp rise, as you know—I am not telling vou anything you do not know, I am sure-so I think we are at the stage in terms of experience that we accept the bill and among the producers themselves they begin to improve the coverage within the various jurisdictions. Basically, farmers and governments have been extremely cautions in feeling their way into the water.

Senator Greene: Is there any concern on your part about this crop insurance, on the judgment confirmed by the brief from the Saskatchewan crop insurance people, that it seems to be moving progressively ahead in Saskatchewan? Is this because it has been better sold or because the crop insurance philosophy is more pertinent to an agricultural province such as Saskatchewan, with large units of production and with a great preponderance of their production in wheat, rather than in the Maritime provinces where the small farmer has a far greater variety of crops?

Mr. Atkinson: One of the factors in crop insurance, as has been applied, basically, in all provinces, has been that it is a program to cover cash costs, or designed to meet, in some measure, actual costs, and many of the producers,

in their expectations, were looking for more than cash cost coverage; in other words, they were looking at it more as income insurance. I think this is the case in most provinces.

I base that judgment on the types of responses I have had from people who had participated in such a program and then opted out. That was particularly true, I think, in British Columbia, Northern Alberta, parts of Manitoba and, to some degree, Prince Edward Island.

In terms of Saskatchewan, I think the program in the last three or four years has really been popularized. The farmers of Saskatchewan are generally interested in protecting their cash costs. Those two things coming together, I think, account for the increased interest in the program. I suppose one could also add to that the general improvement in the economy as a result of increased prices for grains.

I do not think the Saskatchewan program has gone as far as it might have had it covered grain, for example, at a higher per-bushel cost. Nevertheless, it seems to have been accepted to this point fairly well.

Senator McDonald: As you may be aware, Mr. Atkinson, the Saskatchewan Crop Insurance Board appeared before this committee just a few days ago. Perhaps you have seen the brief.

Mr. Atkinson: I have received a copy of the brief, but I have not had an opportunity to go through it as yet.

Senator McDonald: In the concluding paragraph of the brief, the Saskatchewan Crop Insurance Board strongly recommends that crop insurance not be broadened to the extent where it would be income insurance. It seems to be strongly of the opinion that the Saskatchewan Crop Insurance Program, or crop insurance generally should only insure costs. There are some people who feel that there is perhaps an opportunity through crop insurance programs to go beyond costs and to endeayour to cover some of the income as well.

I am wondering what your views and the views of your organization might be in that respect. Do you feel that it is better to have crop insurance strictly as an insurance of costs and to bring about some stability under such legislation as a grain stabilization bill or the Agricultural Stabilization Act, or do you feel there is a possibility of crop insurance being broadened to cover income as well as costs?

Mr. Atkinson: There is no question but that crop insurance ought to be more than coverage in respect of costs; that it should cover income. I suppose one of the things one now has to consider is the fact that some provinces are introducing income insurance. As well, there are stabilization programs both at the provincial and federal levels. Also, there is the new Bill C-41, respecting the stabilization of net proceeds from the production and sale of Western grain. Bill C-41 is a new bill on grain stabilization. I suspect that one of the dilemmas we are in is that we have so many balls in the air that everyone is making a judgment within his own jurisdiction. Certainly, if one is to have crop insurance, it should cover a great many costs other than those commonly thought about. It should cover the cost of living, for example.

Senator McDonald: I was going to ask you if you would include the cost of living for the farmer and his family.

Mr. Atkinson: Yes. I have heard just recently of grain farms being exchanged for more than \$300 an acre, which is an implication of what we are now witnessing. So the costs of crop failure to a person having entered into that kind of obligation would vastly exceed the current coverage. Some adjustment must be made there.

Senator McDonald: Are you now reflecting your personal opinions or is this the attitude of the National Farmers Union?

Mr. Atkinson: This is the attitude of the National Farmers Union. That is what led them to establish the committee to do the examination of the various crop insurance programs across the country. Interestingly enough, we found the people not in the province of Saskatchewan but in the provinces of Alberta, British Columbia, Ontario and the Maritimes saying that their crop insurance program was not worth joining. I am not judging whether their judgments were incorrect or not, but apparently that is how they felt. In their opinion the coverage they could get was not satisfactory given their total cost operation.

Senator McDonald: The Manitoba Crop Insurance Board were more than interested in crop insurance being extended to cover a farmer's income and not just his costs. Alberta were of a similar opinion. Saskatchewan, however, seemed to go in the opposite direction. How soon will you have completed your study on crop insurance?

Mr. Atkinson: By this December. Our process is slow in the sense that the members gather the information, go out and discuss it, digest it, make certain decisions and then package it in December.

Senator McDonald: Will it be made public and be available to us?

Mr. Atkinson: Yes, definitely.

Senator Greene: Does the National Farmers Union have any view—and in the light of the fact that you are reviewing the matter you may not—as to whether crop insurance should gradually, as statistics become available, move to a unit coverage rather than be a regionalized assessment of costs?

Mr. Atkinson: Yes. Based on experience, the coverage should be down to the individual units because there are so many variables that come into play. It is difficult to cover it with a broad brush.

Senator McDonald: When we get sufficient statistics in order to have individual crop insurance coverage, would it not be more practical at that time to extend it to income coverage?

Mr. Atkinson: From the point of view of administration or making things predictable it would be helpful, but it would be a cautious way of moving ahead and in my opinion too often we are over-cautious. Certainly, at the provincial level they have been extremely cautious.

Senator McDonald: In view of the grain stabilization bill and the agricultural stabilization bill and the provincial legislation running along these same lines, would you be of the opinion that it might be possible to develop an insurance program to cover all of this area?

Mr. Atkinson: There is no question that it would be possible. It would become a question of probability and, certainly, of preferability. We are concerned about the introduction of income insurance as, for example, is the case in British Columbia.

Unless there is some kind of public intervention, or an intervention on the cost side—that is, the cost of goods and services that go into production—and if the market is allowed to determine the value of the products which are produced under income insurance, then one could, based on past performance of some of the agri industries with respect to the value of the product—whether it is fruits, vegetables, beef or milk—have pressure coming on that in the market with the effect that those companies would be securing that at lower and lower values. At the same time, in terms of the prices which are put on machinery and chemical fertilizers, and all the other goods and services continuing to escalate, one can see a situation developing-in fact it is happening-in which the public sector is channelling revenue through farmers to be delivered to the agri industry sector at higher and higher prices. We have to examine that carefully or we will have some grave difficulties.

If that is the direction in which we are heading, then it becomes clear that there will have to be some intervention to make certain the cash flow is not excessively bled off through agri industries and other services.

Senator Greene: When these balls you had up in the air come to rest, is it not the purpose of their having been in the air to see if all these balls put together will achieve a normalization of income and a surety of income to the efficient producer? That is their whole purpose.

Mr. Atkinson: I am not sure that that is correct.

Senator Greene: Some day, by the force of gravity alone, they will come back to earth. If at that time they have been well conceived in the first place, it is not any one program called "crop insurance" that will have achieved the desired result, but the multiplicity of balls which you have had up in the air.

Mr. Atkinson: In response to that observation I would say that having helped to place some of those balls in the air one can predict the effects of them in the air. If you are able to do that, then you should take corrective measures before the adverse reactions set in. That is really what I am attempting to present here.

Senator McDonald: Would you define "agri industries" for me, please?

Mr. Atkinson: I define an agri industry as any industrial organization which provides goods and/or services to the farmer, be it a bank, a machine company, a feed company or a manufacturer of any other kind of goods.

Senator Hervé J. Michaud (Deputy Chairman) in the

Senator Greene: Do you include food retailers in that bag of yours?

Mr. Atkinson: Well, the retailers are on the other side. The retail food chains, of course, I suppose, are the area, or one of the areas, I was referring to when I was talking about the consequences of having income insurance programs without countervailing power. They would certainly be the beneficiaries.

The Deputy Chairman: Are there any more comments? Senator McDonald, do you have anything further?

Senator McDonald: Nothing further, Mr. Chairman.

The Deputy Chairman: Senator Greene?

Senator Greene: I was somewhat concerned about Mr. Atkinson's last remark. I think all of us, bearing in mind the American experience, are worried lest most of the benefits of these programs which were conceived to benefit the producer, and particularly the family sized producer, end up in the wrong pocket, and I wonder whether your remarks are geared in that direction. Unless we are careful, the family sized producer is not going to be the main beneficiary. The agri business, or agri industry, as you call them, may be the chief beneficiary of some of these programs, rather than the producer, as was the original conception.

Mr. Atkinson: Well, I guess, to put it bluntly, to attempt to establish equity in what is commonly known as a market economy, in which those that have the most power, or have the highest number of dollars, will get the goods or the services, is an impossibility, unless there is intervention, and when there is intervention, you know, you modify your market economy. In other words, you move towards a planning situation, in which judgments are made, and decisions taken, creating a situation in which equity can take place.

When you come to this question of the family farm, given the trend that we are facing, I think it is pretty clear that it is going to be very difficult for that kind of farm, in any form, to stay alive even acknowledging the fact that these farms are getting much larger. There are so many things that are going to change that situation altogether.

Having said all of that, I must point out that you then get into a position where the investors of farm capital come in and compete with the family farmer, and as a result the family farm is out of the running. I could give you just a little illustration of what I mean. It is a fact that in February, 1974, at Drummond, New Brunswick, 1800 acres of prime potato land were bought by the big potato processor there, McCain's. There were a great many local farmers who wanted to set their sons or daughters up, or some other member of the family, and they were simply unable to compete, even though they had had two exceptionally good years, with high cash revenue.

When one tries to correct those kinds of things one has to go all the way, otherwise one just delivers the benefits of the production of the farm to the off-farm economy. That is a description of the process.

The Deputy Chairman: Mr. Atkinson, would you be in a position, and would you care to say, if you are, what would be the average price per acre paid for that land in Drummond, New Brunswick?

Mr. Atkinson: I do not have an accurate figure. I can try to get it for you. I would not want to give misinformation. It was more, however, than the local people could pay.

The Deputy Chairman: Thank you.

Are there any further questions? If not, this brings us to the end of our discussion as well as to the end of the agenda before us this afternoon. I want to thank you, Mr. Atkinson, for appearing before this committee.

Senator McNamara: Would it be possible to arrange for an *in camera* meeting of the committee before next Tuesday? I think we are meeting next Tuesday, but I would I'ke to have an *in camera* meeting of this committee, if time will permit.

Mr. Chambers: I believe the chairman has invited members of the committee to a luncheon on Tuesday.

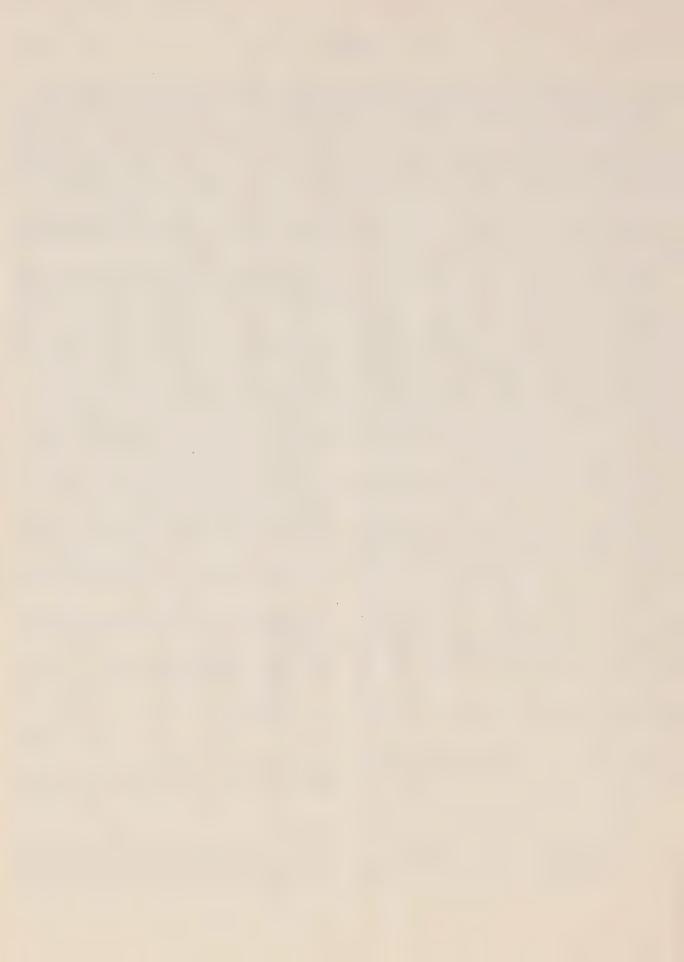
Senator McNamara: I am suggesting an *in camera* committee meeting attended only by the senators who are members of this committee.

The Deputy Chairman: Very well, Senator McNamara, your suggestion will be taken into consideration. Thank you again, Mr. Atkinson.

Mr. Atkinson: Thank you very much for the opportunity to appear, Mr. Chairman.

The Deputy Chairman: The meeting is now adjourned.

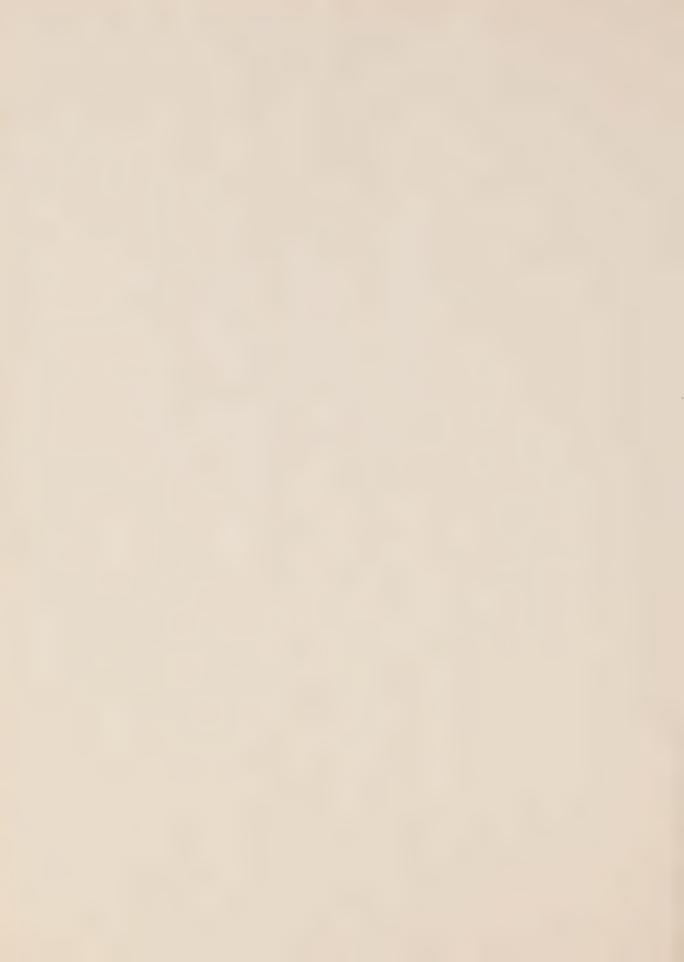
The committee adjourned.















FIRST SESSION—THIRTIETH PARLIAMENT 1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman



Issue No. 22

TUESDAY, JUNE 17, 1975

Fourth Proceedings on Bill C-19, intituled:

"An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada"

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

LIBREYOV

The Honourable Senators:

McDonald Argue Blois McElman McGrand Côté *Flynn McNamara Fournier Michaud (Restigouche-Gloucester) Molgat Greene Norrie *Perrault Haig Sparrow Hays Williams Inman Lafond Yuzyk—(22). Macdonald

22 Members (Quorum 5)

*Ex officio members

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, May 21, 1975:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Molgat, seconded by the Honourable Senator McDonald, for the second reading of the Bill C-19, intituled: "An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada".

After debate, and-

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Petten moved, seconded by the Honourable Senator Giguère, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Tuesday, June 17, 1975

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 2:00 p.m. to further consider Bill C-19, intituled: "An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada".

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Greene, Haig, Inman, Lafond, Macdonald, McDonald, McGrand, McNamara, Molgat and Norrie. (12)

In attendance: Mr. Albert F. Chambers, Research Assistant to the Committee.

Witnesses

Ontario Wheat Producers' Marketing Board:

Mr. Fergus Young, Chairman;

Mr. Peter MacKinnon, Chairman of the Legislative Committee;

Mr. K. A. Standing, Executive Secretary.

Canadian Federation of Agriculture:

Mr. David Kirk, Executive Secretary.

At 10:20 a.m., the Committee adjourned until Thursday, June 19, 1975, at 9:30 a.m.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, June 17, 1975.

The Standing Senate Committee on Agriculture, to which was referred Bill C-19, to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada, met this day at 2 p.m. to give further consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: We are pleased to have with us this afternoon representatives of two organizations, the Ontario Wheat Producers' Marketing Board and the Canadian Federation of Agriculture, who will present submissions in connection with Bill C-19. We shall take the organizations in the order in which they appear on the notice of meeting. We have with us, representing the Ontario Wheat Producers' Marketing Board, Mr. Fergus Young, the Chairman; Mr. Peter MacKinnon, Chairman of the Legislative Committee; and Mr. K. A. Standing, Executive Secretary. I would ask them to join me on the dais. The other representative is Mr. David Kirk, Executive Secretary of the Canadian Federation of Agriculture, who will present his submission later.

I will now call on Mr. Young, Chairman of the Ontario Wheat Producers' Marketing Board, to make the initial presentation.

Mr. Fergus Young, Chairman, Ontario Wheat Producers' Marketing Board: Thank you, Mr. Chairman and members of the committee. First, I would like to thank you for giving us the opportunity of making this presentation. Copies have been circulated, but I would like to read my opening remarks.

The Chairman: Yes. Please proceed.

Mr. Young: Mr. Chairman and members of the Senate Committee on Agriculture, we would like to make an opening statement to clarify our position with respect to Bill C-19.

First of all, we are a producer organization representing all the producers of wheat in the province of Ontario, operating under provincial and federal legislation to conduct a pool of all wheat marketed and to sell the same, entirely financed by producers and governed by an elected board of directors of producers.

In September 1973, we made a commitment on behalf of our producers to limit the price of wheat to domestic processors for human consumption on the understanding that the measures embodied in Bill C-19 would be made law and the government would make the compensatory payments to us for our producers.

In Ontario approximately half the wheat produced is consumed for domestic human consumption, and this is a much higher percentage than that in Western Canada. The present \$15 million owing by the government to our pro-

ducers is payment on half of the bushels produced in the crop year 1974-75.

We are somewhat concerned about our presence here, since it reflects a delay in the passage of the bill and a delay in the payment of the funds which our producers are expecting to receive before their new crop comes in. It was our understanding and belief that the payments would be made on a monthly basis and our producers would not be waiting a great deal of time for the payments that result.

It is our understanding that the \$3.25 price of wheat for domestic human consumption is provided for in Order in Council 1973-2689 and in this order, this amount is set until August 1, 1980.

Our presentation before the House of Commons Committee on Agriculture stressed the need for an annual review for the purpose of looking at the cost of production of wheat, and we requested that the bill contain a clause to provide for an annual review to take this matter into account. The House of Commons Committee on Agriculture recommended an amendment, and it was put into the bill prior to passage by the House.

To the best of our knowledge, this amendment provides the needed mechanism to protect producers from the \$3.25 being a frozen position when cost of production may become out of line.

Our membership is very concerned about any delay in the passage of this bill and the subsequent payment of the current subsidy moneys to the board for distribution to producers.

We will be most pleased to discuss further with you matters relating to Bill C-19, and will attempt to clarify any questions you wish to raise.

The Chairman: Thank you, Mr. Young. On the question of the delay, this bill was referred to the Senate, I believe, on May 8, having been before the other place since last October, or thereabouts.

If what I am about to say is not correct you can correct me, but my understanding is that your pool period ends at the end of June, and that the money provided by this bill, whether you get it today, tomorrow, or a couple of weeks from now, will go into the pool account, which will then be closed out and payments made.

The Senate is not endeavouring in any way to delay passage of this measure. We have a job to do, namely, to look at it and to see whether or not it could or should be improved, to our way of thinking, and we are merely trying to do just that. The Senate is always under pressure to hurry up and do something in three days that it took the other place six months to do, and if we do it in three days we are then accused of not doing our job but merely rubber-stamping what comes to us from the other place. In any event, we would appreciate hearing from you as to just

what the day-to-day urgency might be in connection with this bill.

Mr. Young: In reply to that, Mr. Chairman, I would say that our producers feel that an injustice is being done, because we cannot close out our books until we know the exact amount of money involved, and our producers need the money now. They feel it is long overdue. We are operating on the assumption that the money will be paid into our pool on a monthly basis. We have been in operation since September 12, 1973, and the bill has not been passed yet. We are very hopeful, and it is very important to us, that the bill can be passed as soon as possible so that we can close out our books and distribute the money to the producers.

The Chairman: Am I correct in saying that your books will be closed out as of June 30, and soon after that payments will be made to the producers?

Mr. Young: You are correct in that our year ends June 30. We audit the books as of June 30, and the final payment is made on the basis of the amount of money in our bank account. The money provided for in this bill is part of our final assessment and audit.

The Chairman: Once the bill is passed, you will receive these payments on a regular basis.

Mr. Young: Hopefully, yes.

The Chairman: Well, it will be the law of the land. Senator Greene.

Senator Greene: Mr. Young, do I take it from your presentation that the amendment made by the committee of the other place to clause 5(3), providing for an annual ministerial review of costs of production, is a satisfactory answer, to your organization, to the problem that you and other organizations posed to the House of Commons committee?

Mr. Young: Yes.

The Chairman: Having in mind that amendment, do you think the floor price will be increased within 12 months?

Mr. Young: It would depend on when the bill is passed, I should think, Mr. Chairman.

The Chairman: Well, assuming the bill will be the law of the land by July 15, for the sake of argument, when do you think there may be some change in the \$3.25 per bushel floor price?

Mr. Young: In answer to that, I think passage of the bill itself would set the wheels in motion for something to be done along those lines.

The Chairman: It is important to us that this is just not a nebulous thing. It states that the minister may review it, which is not to say that he will increase it. On reviewing it, he may take the position that because the world price of wheat is less than \$3.25 per bushel, he will leave the floor price as it is.

What I am trying to get at is whether you have had any commitment of any kind that within, say, 12 months, assuming costs continue to rise as they have, there would be an increase in the floor price from \$3.25 per bushel.

Mr. Young: The amendment that we proposed before the Agriculture Committee of the House of Commons was that it be on an annual basis.

The Chairman: Was that amendment with a formula or without a formula?

Mr. Young: With a formula.

The Chairman: As you appreciate, there is no formula contained in the bill. I do not want to put words in your mouth. We are just interested in knowing where you stand on it. As the bill is presently drafted, there is no formula, and if the bill is passed in its present form that will be the law of the land.

Mr. Young: Perhaps Mr. MacKinnon or Mr. Standing might care to comment on this.

Mr. Peter MacKinnon, Chairman, Legislative Committee, Ontario Wheat Producers' Marketing Board: Mr. Chairman, in our presentation to the Agriculture Committee of the House of Commons, we were successful in obtaining an amendment which we felt was satisfactory in relation to our request at that time, and I would have to say that it is still satisfactory.

Agriculture is a strange business, and it is very difficult to devise a formula now that is going to be good in five or seven years from now. You can put on certain weighting factors for such costs as land, labour, equipment, and all these things, and they will change.

As it is now, the bill provides for an annual ministerial review of production costs. As to whether we will be able to convince the minister that it should change, or when it should change, is another matter. However, we are content that it be on an annual review basis.

The floor price of \$3.25 per bushel was established, as far as we know, on September 12, 1973. It may have been a satisfactory price at that time, but it certainly is not today. There has been a great deal of change since September 1973. We are now in the process of documenting that change. Our costs have gone up substantially in relation to energy, fertilizer, and all the other inputs that we have into production. To put it on a formula pricing basis would be very difficult. You simply cannot draw up a formula today that will be relevant seven years from now.

Senator Greene: Mr. MacKinnon, is it fair to say that with the broad wording of clause 5(3), without a formula, you have greater flexibility in making your argument each year, rather than having some pat formula which would tie your hands?

Mr. MacKinnon: It does, senator, yes. We are not prepared to suggest what formula might be appropriate. I have been in the agricultural business long enough, and have seen enough changes occur, that I would not be prepared to suggest a set formula.

Senator Greene: So that the flexibility of the procedure set out in the bill suits your requirements better than a pat formula would, is that correct?

Mr. MacKinnon: I would think so, yes. It is a more suitable feature from our point of view. Whether it works out that way is another matter; whether we can convince the government of the need for change as changes come along is another matter.

The Chairman: In other words, you do not know whether it means anything or not, but you hope it does.

Assuming this is the law of the land by the middle of July, what kind of representations would you be making in relation to an increase in the price of \$3.25 per bushel?

We all agree that costs have gone up since September 1973. What kind of increase will you be looking for? You may not know the exact amount, but you may have an idea

Mr. Young: We have not yet finalized the increased costs of production for the one-year period. We would have to do some further homework on this and make representations on the basis of that.

The Chairman: Would it be the Farm Input Cost Index of 13 per cent or 14 per cent, or would you be looking at something higher than that?

Mr. Young: Something higher, I would think.

Senator McGrand: Are the same varieties of wheat grown in Ontario as are grown on the Prairies, or is the wheat grown in Ontario Durum wheat?

Mr. Young: The wheat grown in Ontario is a soft white wheat. It is different from the wheat grown on the Prairies, it is a hard wheat. Our wheat is mainly used for cakes and pastries.

Senator McGrand: Yes, I meant to say "soft white." How many wheat producers are there in Ontario?

Mr. Young: About 15,000.

Senator McGrand: And how many bushels of wheat would they grow?

Mr. Young: This year we marketed 17,500,000 bushels.

Senator McGrand: In what counties of Ontario is it grown?

Mr. Young: The larger wheat producing counties are Essex, Kent, Lambton and Middlesex—mostly southwestern Ontario.

Mr. MacKinnon: There is a considerable amount grown in the Ottawa Valley.

Senator Greene: The Farm Input Cost Index, as established by Statistics Canada, would be one of the measures you would use in making your representations to the minister in his annual ministerial review, would it?

Mr. Young: I would say this would be a portion of it, possibly.

Senator Greene: But not the only statistic you would see?

Mr. Young: No.

Mr. MacKinnon: I got a report from Statistics Canada on my desk the other day and the most recent figures they were quoting were 1974. They are already a year old. I do not know whether anybody else has better luck in getting reports from them with more current answers. In discussing this type of thing it is not good enough now, with the increase we are facing. If they are able to provide us with more up to date figures I think it would be more relevant, but right now I have trouble relating these year-old figures.

Senator Greene: I gather your evidence is that neither the Statistics Canada index nor any other single index is as efficacious as a broad review that permits you to bring in any evidence from any source you like as to costs; the greater the flexibility the more opportunity you have to present a case, and no one index, Statistics Canada or any other, is satisfactory to your organization as being the pontifical word on increasing costs. Is that correct?

Mr. MacKinnon: Not when I face an increase in the cost of nitrogen of \$46 a ton in a matter of 30 days, and it is not reflected in statistics until a year later; I do not think they are very relevant.

Senator McNamara: There is one point I should like to get cleared up for my own satisfaction. When you were discussing the delay in the passage of this bill, Mr. Chairman, you left the impression with me that it was not affecting the Ontario wheat producers, because their pool does not close until June 30. I do not know how the Ontario Wheat Board operates, but I know something about how the Canadian Wheat Board operates, the millions of dollars they are in debt to the banks at all times, and the rate of interest they have to pay to the banks. I know that they are keenly aware that the delay in this bill passing and the money being paid to them will represent a considerable difference between the bank interest they pay and the interest that will be determined under this bill by the Minister of Finance. I am quite sure they will not pay the same rate of interest commercially as the government decides to allow producers. Do you operate in the red? Are you into the banks for money at all times? If you are, would not getting this money prior to June 30 help you reduce your costs of operation?

Mr. Young: We operate on borrowed money, and we are into the banks at all times in most cases. We made a payment some month and a half ago, or thereabouts, and we are into the banks on the basis of that payment. Our wheat producers are the people who are complaining. They cannot borrow money at the same rate of interest as we are receiving; they want their money but we cannot get it.

Senator McNamara: Conversely, when you do get the money from the Treasury you will not be allowed the same rate of interest for the delay as you are paying the banks. The delay in making this payment is costing the Ontario wheat producers money.

Mr. Young: That is right.

The Chairman: Would you mind telling us what rate you are paying and what rate you think the government will pay? Then we will know exactly what it will cost.

Mr. MacKinnon: It is a difference of about 3 per cent.

The Chairman: On how much money?

Mr. MacKinnon: \$15 million.

The Chairman: Are there any other questions on this point?

If not, I am going to put the other side of the coin to you. I think the government is obviously very greatly influenced by the consumers of this country, because the consumers are really everybody and the farmers are a small group. After having been around the Hill for 25 years, I also suggest to you that the weight of pressure against the increase may be a lot stronger than the weight of pressure for an increase. You have mentioned that your

fertilizer costs have gone up a very substantial amount recently. I would be highly surprised, but highly pleased, if in fact when the adjustment is made it is a substantial adjustment, and that you would agree that it is that. In other words, it seems to me that this is very much a consumers' bill, that the \$3.25 is there, and while there is space for a review and we hope for the best, the weight opposed to an increase in the price of flour going to the mills or any other mechanism will be very substantial. Therefore, a formula might get you a lot more money than no formula. That is only a matter of opinion, but I give you my opinion.

Mr. MacKinnon: The question you raise, of the importance and significance of the agricultural industry, is a very broad one. I think we could sit here all day and debate it. I believe the government and the consumers of this country are sufficiently aware of the importance of this industry in such areas as balance of payments, the employment field and the whole gamut of our economic structure that I do not think agriculture will come off that badly.

Senator Lafond: I have the impression that the chairman is downgrading considerably the weight of the clout of the agricultural community of this country.

The Chairman: I may say that I put that point of view hoping it is proved incorrect. I am fully interested in seeing that the farmers get more. That is why we are in this committee. I hope you are right and that my suspicions are not well founded.

Senator Greene: Mr. Chairman, with respect to yourself, as you have entered the dialogue I take the liberty of answering you. I would think that clause 5(3) provides a legal right. It does not say the minister shall increase prices. With my limited legal ability and judgment, I would be prepared to believe that a court would issue a mandatory injunction if a case could be made for increased costs, stating that it is the law of the land by clause 5(3) that they must increase proportionately.

The Chairman: Senator Greene is a good lawyer and I respect his legal opinion. I am not a lawyer. I just have my opinion based on other reasons.

Senator McDonald: I might also point out that clause 5(3) states:

The Minister shall, on an annual basis, and in consultation with the producers

It does not say anything about consumers.

The Chairman: Are there other comments or questions? It may already be in your presentation and I did not catch it, but how much does this mean per bushel in terms of the farmers' accounts. What does this represent on a per bushel basis when you are paying out your accounts?

Mr. Young: About \$1 a bushel.

The Chairman: For a one-year period, or does it go back to September?

Mr. Young: For this crop year, 1974-75.

The Chairman: That is a very important figure.

Senator Macdonald: I should like to ask a question about the \$15 million you say there is now \$15 million coming to you people for this crop year?

Mr. Young: Yes, in that area.

Senator Macdonald: You say your understanding is that payments will be made on a monthly basis. What do you mean by that?

Mr. Young: It is written into the bill that the payments will be paid on a monthly basis into our pool after the bill is passed.

Senator Macdonald: For the next crop year there will be something paid i nto the pool each month?

Mr. Young: If the bill is passed, yes, hopefully.

The Chairman: Your farmers will receive it every four months, I believe.

Mr. Young: That is in there too.

The Chairman: But you would receive it on their behalf every month?

Mr. Young: Yes.

Senator Molgat: You represent all of the wheat growers?

Mr. Young: That is right.

Senator Molgat: All of the wheat in Ontario goes through your operation?

Mr. Young: Yes, outside of farm-to-farm sales, sales by one farmer to another farmer.

Senator Molgat: That small section is the extreme west end?

Mr. Young: That covers the province.

Senator Molgat: In the Fort Frances region do they go through you or the Canadian Wheat Board?

Mr. Young: That small section is handled by the Canadian Wheat Board.

Senator Molgat: So everything else goes through the Wheat Board. That means to say you are speaking in fact for all of the wheat producers?

Mr. Young: That is right—in Ontario.

The Chairman: Are there any other questions? If not, we thank you very much for your presentation and for your coming here today. If you wish to stay, you are welcome. We will be hearing from the Canadian Federation of Agriculture. We have always held these meetings in a fairly informal way, and it may be that there are some questions that our members would like answered from you. We thank you very much.

Mr. Young: Once again, Mr. Chairman, we thank you very much for giving us this opportunity this afternoon.

The Chairman: Honourable senators, I am delighted to call Mr. David Dirk, long-time friend of all of the farmers of Canada and many others, and Executive Secretary of the Canadian Federation of Agriculture. I see you have a brief, Mr. Kirk. I understand that copies have been distributed. Do you wish to read it for the record?

Mr. David Dirk, Executive Secretary, Canadian Federation of Agriculture: Mr. Chairman and honourable senators, if I may I should like to say a word or two about the brief and perhaps make a few additional observations.

The Chairman: Very well.

Mr. Kirk: It is unusual, although not unheard of, perhaps a little improper, that I am here as a staff member without any directors. I would like you to know that our president is at a Canada Grains Council meeting, and our agricultural committee, as you know, is meeting in Western Canada, on grains questions. For some of these reasons, it is a difficult day in terms of representation. I hope that you will accept those regrets and apologies.

I should level with you that our brief is precisely the same as that which went to the Agricultural Committee of the House of Commons. The people to whom it is addressed are changed but it is the same brief. We have not changed our position and we saw no particular reason for changing the text of the brief.

First of all, we have been for a long time in favour of the priciple of a two-price system in the sense of a guaranteed payment for domestic wheat, for wheat for domestic human consuption; and the support of the producers for what I think may be called this deal hinges in part on that.

Our support for the bill hinges in part also on the fact that this policy was in fact established as a proposition put to the producers prior to the introduction of the bill. There was discussion with the producers and the producers on the whole said they would buy that. I believe that their main concern in those discussions was with the inflationary factor. So, essentially, what we are saying is, with the history of policy and of consultation, that this is what we agreed to and what in principle we are in favour of as a long-term policy, and we buy the deal in that sense. What we did say in one brief was that we did think that the \$3.25 was established on the judgment of the government and it only makes sense to index that price up as the value of that price decreases. It seems to us a perfectly logical proposition. If the price was right then, and we thought it was and said it was then, it should be indexed up. That is our basic proposition. And we ask that it be done on a formula basis. using the index of farm input costs in Western Canada, which we think on the whole is a more conservative index than a more complicated one that included an element, for example, of consumer price index. Certainly in the present period that is an index that is rising more rapidly, and I think is likely to continue to rise more rapidly because of its nature. So that is a conservative recommendation. I would also caution you that we are asking that that indexing be applied to the whole of the price and not to the cash cost portion of the price which is the custom of the government these days. Therefore I want to make it clear that that is not what we are recommending. We are recommending that the index be added to the whole price.

The provision in the bill is for an annual review of the act and of regulations related to it, of which, I presume, the Wheat Board regulations establishing the selling price comprise one item. I presume that. If I read this correctly, the only way that this section can provide for an increase in the price to the producer for this wheat is through a change in an Order in Council of the Wheat Board. I must say I am not at all clear that it is necessary to have this section in the legislation to do that, in the first place. I would be interested in hearing any other view. In reading the bill I do not see any particular reason why they cannot change that \$3.25 selling price in any case, whether the act is amended or not. It is through that mechanism, either that or through returning the act to Parliament, that action would have to be taken. It certainly does not provide for any change in the \$3.25 and the \$5.75 in the text of this bill. I think that is correct.

As regards the provision for an annual review, I do not know how that would be interpreted. I am not a lawyer either, but if the bill was passed this month I think the government might say that an annual review means they will look at it next year for the first time, and if that was considered to be the situation we would not approve that, as we think it should be looked at now. I think our people are going to ask that it be looked at now. That is what makes the interpretation of the options open to the government with respect to changing the Wheat Board price so important. If that can be changed without reference really in a legal sense to the act, then that can be reviewed whatever you interpret "annual review" to be. I am inclined to think that that is the attitude we would take, that we want a review now.

We may have rather naïvely assumed originally that the intention was that the \$3.25 named in the act would be co-ordinated with the Wheat Board selling price and it would be the same amount. Therefore we thought in terms of changing that amount in the bill, but that sort of thing has gone out the window now, with the nature of this amendment, I would gather.

The Chairman: Would you be more explicit on that, because I don't quite follow it?

Mr. Kirk: This clause 5(3) says:

The Minister shall, on an annual basis and in consultation with the producers,—

We do approve of that.

-review the provisions of this Act-

That is one thing. This means that he can review the provisions of clause 5 with respect to the price but to change it he would have to come back to Parliament.

—and all related regulations enacted by the Governor in Council with a view to making such recommendations to the Governor in Council as are appropriate—

I have had it explained to me that in order to increase the returns to producers under this arrangement, without it coming back to Parliament, that would have to be done by raising the Wheat Board selling price, and that it would become then different from the price established in clause 5(1) and (2).

The Chairman: It would be above \$3.25.

Mr. Kirk: Yes, it would be above \$3.25. We are taking it that this was put in with a view to signalling that such action might be taken in relation to the Wheat Board price. If it is not signalling that, then we would be disturbed. I think that is really all I have to say.

The Chairman: You do not have any indication as to what the government may have in mind as to the date of its first annual review, but your impression is that it could be a year from now.

Mr. Kirk: I do not know how they will choose to interpret that. All I know is that we will ask for one right away, and then we will find out.

Mr. K. A. Standing, Executive Secretary, Ontario Wheat Producers' Marketing Board: Mr. Chairman, on that point, we were concerned about the date as to when it can be reviewed. On page 2 of the act, clause 3 in respect to applications says:

3. This Act applies with respect to the period

(a) commencing on July 1, 1974—

We were prepared to present to the government on July 1, 1975 our position in respect to costs. This is what we considered the year. I do not know what the legal interpretation might be.

Senator Greene: Mr. Kirk, in your reading of clause 5(3) you completed your reading at the words "are appropriate". The following words are:

... in the light of prevailing costs of production of wheat and returns to producers.

Does that not indicate to you, although you are not a lawyer, that those are the key words in the light of increasing costs?

Mr. Kirk: They are certainly key words in the sense that the combination of costs of production and price, which gives returns, is a key question. I agree with that.

I must say, though, that that is the kind of phraseology which in terms of government approaches and action can mean a lot or a little. It can be treated judgmentally, you know, in broad principle, and it can be treated statistically in a number of ways. Our indexing proposition, for example, could be seen as an appropriate way of reviewing the position in the light of prevailing costs of production. It could be. There are other ways of doing it. That was our proposal of how to do it.

Senator Greene: You are then satisfied that the farm inputs cost index for western Canada is an accurate and complete formula for assessing increased costs? Your organization is prepared to accept that as the biblical truth? You do not need anything further?

Mr. Kirk: No, sir, that would be going far beyond what I would agree to. I do not think that at all. What I do think is that it is the most complete index that we have of our farm input costs. It does not measure farmers' returns. It measures input costs. I would not undertake to set myself up in any sense as an expert on the statistical accuracy of the estimates which are made in there. Probably some of the figures are first-class; probably some of them are less than first-class. That is the normal course.

As our general government programs in milk and other commodities proceed, in the direction in which they seem to be going, that index will come under rather severe scrutiny. There will be much more known about it in a year or two because it will be used more. But with respect to its appropriateness as a means of measuring changes in costs of production, it is probably not all that bad, although it refers to the whole farm economy.

Senator Greene: You are a little like the fellow shooting crap in Chicago. They told him the game was crooked. He said, "Well, it's the only game in town."

Mr. Kirk: That is right; exactly. What came out of this in terms of accuracy would be some kind of an approximation, I am sure. It does not measure returns—that is to say, living costs on the income portion of the farmer's returns. It does not measure that. I made the point earlier that by using the input index as a proxy for the income part of it, which would be the cost of living index, we think that we are being conservative in terms of price increases by doing that. We think that is something of a concession.

Senator Molgat: Mr. Kirk, the index is not geared specifically to the wheat producer, is it?

Mr. Kirk: No, it is geared to the entire western farm economy. To do that correctly you would have to deduce a wheat production or grain production index.

Senator Molgat: Such an index does not exist at the moment, however.

Mr. Kirk: No, it does not.

Senator Molgat: Since we are dealing here strictly with wheat and nothing else, is it not possible that we are perhaps using the wrong figures? Would we not be better to follow the other suggestion of looking at the costs of production of wheat and the returns on wheat and not mixing the other farm costs in?

Mr. Kirk: Well, senator, I do not know. Our approach to it was that the government had made a judgment about a starting price and that it made sense to index that. We have not proposed that we attempt to get into a comprehensive system of estimation of costs of production in a direct way. Indexing is one thing; estimating costs of production is quite another. We have not considered that proposal. We are not proposing it. Whether the government intends to undertake such an examination, I do not know. It is quite an undertaking, you know. In itself it has large judgmental components in it.

Senator Molgat: But according to subclause (3) that, I presume, would be the intent, would it not? It specifically refers to the cost of production of wheat, so I presume that some study will have to be undertaken to arrive at that cost.

Mr. Kirk: I suppose that is a reasonable presumption, except that I become a little cynical about being too precise about it. We had a stabilization act, which is still in force, you know, from 1958, which made references to setting prices in relation to costs of production. No such estimates were ever made in setting those prices over a period of 15, 16 or 17 years. I do not have any automatic conviction, therefore, that the government will make direct costs of production, in that sense, as a result of this clause.

The Chairman: Mr. Kirk, what has been happening to the index of costs since 1974? You have given it to us for one year. Has the cost been going up faster, slower or at the same rate?

Mr. Kirk: Since September 1974?

The Chairman: Yes.

Mr. Kirk: If I recall rightly, Mr. Chairman—and I am sorry I do not have the figures here—I do not think that the increase, in percentage terms, has been very great for the final quarter of 1974, which is all that is yet available. My recollection is that it is not very large. It would be significant, but it is not massive or anything like that.

Senator McDonald: Mr. Chairman, I have changed my mind about this three times now since the bill came before us. I think I am more confused now than when I first started. It seems to me that if 14.73 per cent is taken as an accurate rating of the costs of the farmer's input from September, 1973 to September, 1974, it is not a very good measurement because, in my view, the increase has been much more than 14.73 per cent, if you are talking about the cost of producing a bushel of wheat on the prairies. I do not think there is any doubt about that. I would be hesitant to tie myself to a formula as far ahead as 1980 that I think has not reflected the increased costs in the past.

I recognize that the statistics might be much broader, and more accurate, in the future; that is quite possible, because I think, as the witness has already told us, there will be more demand on this sort of statistic than there probably has been in the past; but I repeat that I am beginning to doubt the wisdom of tying ourselves to a formula that certainly, in my view, is not accurate at the moment

I recognize that it is very difficult to get statistics, and there are few, if any, available, in Canada, that I know of, apart from Statistics Canada. There may be some in some provinces concerning some product, but for the national program, in my view, there are none.

I am wondering, therefore, every time I read clause 5(3), whether it is wise. Of course, I too am not a lawyer but, as far as I am concerned, I think the opportunity is there, and the power is there, to get what farmers request, and what the wheat growers request, both in western Canada and in the east, and I think much better statistics could be made available than the ones from the farm input cost index as they exist today. I am therefore hesitant about tying ourselves to a formula that, in my view, is not very accurate.

Mr. Kirk: I would not attempt to say that if you had an input cost index for wheat products per se it would not have gone up faster, or even that the 14 per cent itself is an accurate reflection that all the weightings are right, and all the price measurements are right; but I think it is true to say that our organization felt that they were taking a moderate position in asking for this formula. They did not think it was a formula that would result in unreasonable price increases at all. The point is that they wanted some assurance that there would be some approximation to a fair indexing.

I agree that if you could assume, if the government was going to sit down and construct an index, that it would be the very best and most accurate one, and that it was going to increase the price on the basis of that index, and consult with producers in doing it, then fine, clause 5(3) might be better; but the point is that that clause does not have to be treated that way, you know.

Senator McDonald: If I may interrupt, I was interested in your comments a few minutes ago in regard to stabilization bills in other farm products. My understanding was that you said there was a provision in those acts for an annual review, but that this review had not taken place. Is that correct?

Mr. Kirk: In what act?

Senator McDonald: When you were talking about stabilization acts—other acts—pertaining to agricultural products.

Mr. Kirk: No. If I seemed to say that, I did not mean that. I just meant that you had references to relating your program to the cost of production in that act, and in the specific sense of calculating a product cost that kind of approach to setting the price was never used, to my knowledge.

Senator McDonald: What approach was used? Was there any consultation with producers under that act?

Mr. Kirk: Well, over the years there was consultation in varying degrees under varying programs, yes. Sometimes it was adequate; sometimes we thought it was inadequate.

Senator Greene: Depending on whether you won or lost?

Mr Kirk Well-

Senator McDonald: There was no annual review; it was not spelled out that there be an annual review.

Mr. Kirk: No.

Senator Greene: Is there any ray of hope in your minds, Mr. Kirk, that in attempting the consultative process envisioned in clause 5(3), (a), if it works, that is fine; (b), if it does not work, from the process may come a more effective formula, to tie the price review to in future years, than we have in the Statistics Canada index?

Mr. Kirk: Yes

Senator Greene: It is my experience as a gradualist that if we move more slowly we get, probably, better results in the long run than if we try to grab at straws that do not exist and solve all the problems right now.

Mr. Kirk: I agree with you. I think that if the producers sat down with the minister and his officials to work out an accurate measurement of increased cost of production, and they kept maintaining the real value of producer returns, a better system could be developed than the simple western Canada farm inputs index. I do not think there is any doubt about that. The whole question really arises as to what will be done under this section.

I do not want to go too far in imputing lack of motivation to the government. I do not know what the answer to that is. I am just telling you why we asked for a formula, which was to make it certain.

The Chairman: I wonder if I might ask for your comment on this. Clause 5(3) says:

The Minister shall, on an annual basis... review... with a view to making such recommendations to the Governor in Council as are appropriate in the light of prevailing costs of production of wheat and returns to producers.

Well now, I am no lawyer either, but if that clause said, "the government shall, on an annual basis, review,... and in the light of," et cetera, "make appropriate changes," that, to me, would perhaps mean a great deal; but to me, these words, "The Minister shall... review..." and make recommendations means that the best you can hope for is that the minister will be very, very sympathetic, he will make all the recommendations you wish him to make, and then, after that—and I have had no experience in cabinet—I take it the recommendations may or may not be approved by the cabinet, or may be taken and approved in a partial sense.

I can see our present Minister of Consumer and Corporate Affairs making recommendations for the consumer—he makes them in public and goes out campaigning, and that is great; and I can also see that the cabinet does not go all the distance that he wants them to go.

At the time this is reviewed, therefore, we may have the very best minister possible—and we have a very good one today—and he may make the very best recommendations one can imagine; but may I say that that in itself is no assurance that anything will happen, or that very much will happen.

Mr. Kirk: Certainly there is no assurance that what the minister recommends will be accepted by the cabinet. That is what the minister always tells us, and I am sure it is true.

The Chairman: So what you have here is the minister promising to make a recommendation. It may not end with the recommendation, but that is were this clause ends.

Senator Greene: But the law of the land will be that those recommendations must be in the light of prevailing costs of production of wheat and returns to producers. A government that did not follow recommendations based on those criteria would, of itself, be denying an act of Parliament, and I do not think any government, no matter how reprehensible it has been, has ever broken the law of the land.

Mr. Kirk: Could I just say one more time, Mr. Chairman, that on that question that we are arguing, about what does it mean, and how much assurance there is of appropriate action, as far as I am concerned, on the one hand I do not think that this amounts to a guarantee of appropriate action; on the other hand, I am not sitting here saying that I do not believe a word about government intentions. I am not saying that. I am saying that the question is not settled by this clause, as far as I am concerned.

Senator Greene: And if we had a perfect index, maybe we would have a perfect solution; but everyone agrees we do not, at the present time, have a perfect index, and hopefully, from these annual consultations will come a more perfect one. Surely the CFA is, from year to year, improving its economic and statistical efficacy, as I hope the Department of Agriculture and the Wheat Board are. The Ontario board, and everyone else, is getting more sophisticated economics year by year, which will be funnelled through this annual consultation. And if the annual consultation proves unsatisfactory, is that not the best possible way of moving towards an index that is more perfect than any we have now?

Mr. Kirk: I certainly think that is what should happen, and I trust it will. I can assure all honourable senators that the Canadian Federation of Agriculture will co-operate in that effort to the maximum of its ability, if this clause goes through, and I should also say that compared to not having the clause at all we are very pleased with its existence. Do not misunderstand me. I have been explaining why we put in our concrete recommendation previously and today as well. That is our position.

Mr. A. Chambers, Research Assistant to Committee: Mr. Kirk, I believe there is currently before Parliament a grain stabilization bill. Has the government shown any tendency, so far as you know, towards the creation of this kind of indexing relationship, or is it moving towards some other formula, not a specific indexing formula, which might give the committee some indication of its intentions?

Mr. Kirk: No, the government has shown no indication. I should say that we are not asking—just so that you won't be left with a misapprehension—in that particular piece of legislation for mandatory indexing of the proceeds that are stabilized. What we are asking for is the standby capacity to take account of inflation and to index those proceeds on some basis if it seems necessary, because under that kind of legislation the failure to index does not necessarily mean, of course, that the proceeds will be inadequate. That is a different situation than here.

Mr. Chambers: But there is provision in that act for triggering the payment mechanism based on the net increase in the cost of production over the net proceeds. So a formula must be in existence for measuring the increase

in the cost of production if it is not based on an index, is that correct?

Mr. Kirk: That is right. The cash costs are indexed, and that is the big change from the previous bill that was not dealt with. It is the proceeds that are left over that are not indexed.

Mr. Chambers: But are they moving towards some form of specific indexing that might be in use in the future?

Mr. Kirk: No. In the bill the cash costs are measured directly as amounts of money and indexes are not utilized.

The Chairman: Are there any other comments from anyone in the room? I see Mr. Chambers has his hand up again.

Mr. Chambers: Do you know what would happen to the provisions of this act should the government amend the relevant Canadian Wheat Board regulations and increase the base price to something like \$3.67 or whatever? Do you know what would happen to the provisions of this act?

Mr. Kirk: I am subject to correction, but the way I read the act, the amount of payment by the government—I would not use the term "subsidy" in the context of this policy—is determined, on the one hand by the price set out and the other by the average export prices of the grain, and that is independent of the other price. So the payments, as I understand it, would not be affected by a change in the Wheat Board selling price.

Mr. Chambers: Would not the final return to the Wheat Board be affected by a change in the Wheat Board selling price if the price went above \$5? If the Wheat Board changed from \$3.25 to \$3.50, would the Wheat Board not still get the \$5 for domestic consumption?

 $\mbox{\bf Mr.}$ $\mbox{\bf Kirk:}$ I am sorry, but I do not understand the point you are making.

Mr. Chambers: The base price is now \$3.25 and the payment by the government is \$1.75. The Wheat Board final price is \$5 maximum. Assuming that some time in the future the export price was higher than \$5 and the base price was changed under the regulations of the Canadian Wheat Board Act to \$3.50, do you think the Wheat Board would or would not benefit from that?

Mr. Kirk: Our recommendation is that the maximum increase should correspond with the \$5 in the same arithmetic amounts.

Mr. Chambers: Does that not require a change? It simply cannot be done by amending the Order in Council under the Wheat Board Act.

Mr. Kirk: Again, it is a Wheat Board regulation and a matter of government policy that establishes the \$5 maximum. I do not think that is defined in this act either.

Mr. Chambers: The act establishes \$1.75 as a base.

Mr. Kirk: That is right. So unless you came back to Parliament, those provisions would stand.

Mr. Chambers: So regardless of what happened to the Wheat Board Act, the maximum payment the farmer could obtain would be \$5 for wheat sold in Canada for human consumption.

Mr. Kirk: No, I think not. I think the maximum payment would be \$1.75, but the amount the farmer could obtain

would be more than \$5. The \$5 is really defined by the \$3.25 plus \$1.75. Oh, I am sorry, you are quite right. \$5 is still the maximum and that is one respect in which that technique would not fit in with our recommendations.

Senator Greene: Mr. Kirk, given the choice of passing the bill as is, with apparently one major flaw, in the opinion of the CFA, or opening up the whole can of worms again, by sending it back, would the CFA prefer to see the bill passed as soon as possible, even if it needs improvement—because it is not as clear now as we hope it will be, but we will cross that bridge when we come to it—or would you be prepared to entertain whatever delay might be caused by sending it through the meat grinder again?

Mr. Kirk: Very frankly I am a little reluctant to make that kind of assessment, because I think certain areas of information are open to you that are not open to me—for example, with regard to the possibility of success in the first place. To put it in terms of probabilities, if there was a 95 per cent chance that the meat grinder might bring out a formula, that is one thing, but if it were simply a 5 per cent chance, then it would be something quite different. I do not want to make those assessments because I have no basis for knowing.

The Chairman: Any other comments?

Thank you very much for appearing before us.

What is the pleasure of the committee now? Do you wish to have one further meeting in order to bring forward all finalized suggested amendments and consider them, or do you wish to do something else? We have a room reserved and a tentative time for a meeting on Thursday morning. Is that correct. Mr. Chambers?

Mr. Chambers: Yes.

The Chairman: What time will that meeting be?

Mr. Chambers: It is at 9.30 a.m.

The Chairman: Would you care to adjourn now and meet at 9.30 on Thursday to finalize the bill?

Senator Molgat: Are there no further representations?

The Chairman: No. that completes our representations.

Senator Inman: There is another committee meeting at 11 o'clock that morning.

The Chairman: We can adjust to meet the situation. Is it agreeable that we adjourn until 9.30 on Thursday morning in order to finalize the bill?

Senator Haig: I move that we adjourn.

The Chairman: The committee stands adjourned until 9.30 on Thursday morning.

The committee adjourned.

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada









FIRST SESSION—THIRTIETH PARLIAMENT

1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman



Fifth & Final Proceedings on Bill C-19, intituled:

"An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada"

REPORT OF THE COMMITTEE

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

McDonald Argue McElman Blois Côté, McGrand McNamara *Flynn Michaud Fournier (Restigouche-Molgat Gloucester) Norrie *Perrault Green Sparrow Haig Williams. Hays Yuzyk—(22) Inman Lafond Macdonald

*Ex officio members

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, May 21, 1975:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Molgat, seconded by the Honourable Senator McDonald, for the second reading of the Bill C-19, intituled: "An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Petten moved, seconded by the Honourable Senator Giguère, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier,

Clerk of the Senate.

Minutes of Proceedings

Thursday, June 19, 1975.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 9:30 a.m. to resume consideration of Bill C-19, intitled: "An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada".

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Haig, Inman, Lafond, Macdonald, McDonald, McElman, McGrand, McNamara and Molgat. (11)

In attendance: Mr. Albert F. Chambers, Research Assistant to the Committee.

After discussion and upon Motion of the Honourable Senator McDonald, it was Resolved to report the said bill without amendment, with the following recommendation:

"Your Committee is concerned that the real value of the floor price established on September 11, 1973, when the two-price wheat policy was implemented, has been diminished by the considerable increases in the costs of producing wheat and that it is no longer a fair and reasonable price for wheat produced and sold in Canada for human consumption in Canada.

Your Committee therefore recommends that, immediately upon the coming into force of the Act, the Minister undertake a review of the two-price wheat policy in accordance with subsection 5(3) of the Act. Subsection 5(3) reads as follows:

5. (3) The Minister shall, on an annual basis and in consultation with the producers, review the provisions of this Act and all related regulations enacted by the Governor in Council with a view to making such recommendations to the Governor in Council as are appropriate in the light of prevailing costs of production of wheat and returns to producers."

At 10:10 a.m., the Committee continued in camera.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Report of the Committee

Thursday, June 19, 1975

The Standing Senate Committee on Agriculture to which was referred Bill C-19, intitled "An Act to provide for payments in respect of wheat produced and sold in Canada for human consumption in Canada" has, in obedience to the order of reference of Wednesday, May 21, 1975, examined the said Bill and now reports the same without amendment.

However, your Committee is concerned that the real value of the floor price established on September 11, 1973, when the two-price wheat policy was implemented, has been diminished by the considerable increases in the costs of producing wheat and that it is no longer a fair and reasonable price for wheat produced and sold in Canada for human consumption in Canada.

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"5. (3) The Minister shall, on an annual basis and in consultation with the producers, review the provisions of this Act and all related regulations enacted by the Governor in Council with a view to making such recommendations to the Governor in Council as are appropriate in the light of prevailing costs of production of wheat and returns to producers."

Respectfully submitted.

Hazen Argue, Chairman.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, June 19, 1975

The Standing Senate Committee on Agriculture, to which was referred Bill C-19, to provide for payments in respect of wheat produced and sold for human consumption in Canada, met this day at 9.30 a.m. to give consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we have heard a number of witnesses and have taken a lot of evidence on this bill. Are you now ready to consider the bill clause by clause?

Clause 2 is the definitions clause. Shall clause 2 carry?

Hon. sengtors: Carried.

The Chairman: Clause 3 deals with the period of application. Shall clause 3 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 4 carry?

Senator Macdonald: Does clause 4 mean that in each month there is a payment?

The Chairman: Mr. Chambers will correct me if I am wrong, but I believe it means that every month a payment goes into the Wheat Board accounts, but at what time the farmers receive it depends upon the policy of the Canadian Wheat Board, as we all know. I understand that with the Ontario Wheat Producers' Marketing Board it is a payment that would be made every four months, as I read the bill. The moneys themselves would go once a month, when the bill is passed.

Shall clause 4 carry?

Hon. Senators: Carried.

The Chairman: Clause 5 is the nub of the matter. Some of the organizations have been satisfied, or at least one of them, to leave it precisely as it is; others have asked for an escalation clause based on cost.

Are you ready to consider clause 5? ... Are there any proposed amendments? . . . Shall clause 5 carry?

Hon. Senators: Carried.

The Chairman: Clause 6 has to do with wheat, durum wheat and so on. I think we have had a pretty good explanation of that. Shall clause 6 carry?

Hon. Senators: Carried.

The Chairman: Clause 7 deals with the allocation of money paid to a board. Shall clause 7 carry?

Hon. Senators: Carried.

The Chairman: Clause 8 concerns the regulations. Shall clause 8 carry?

Hon. Sengtors: Carried.

The Chairman: Clause 9, the recovery of payments. Shall clause 9 carry?

Hon. Sengtors: Carried.

The Chairman: Clause 10 deals with records and books. Shall clause 10 carry?

Hon. Senators: Carried.

The Chairman: Clause 11?

Hon. Sengtors: Carried.

The Chairman: Clause 12?

Hon. Senators: Carried.

The Chairman: Shall the title carry?

Hon. Senators: Carried.

The Chairman: Shall I report the bill without amendment?

Hon. Senators: Agreed.

Senator Macdonald: I understand this bill comes into force on proclamation. Is there any information as to when it will be proclaimed? These fellows from Ontario are hollering about getting their money.

The Chairman: There has also been a lot of pressure from the government to get it through quickly. The Ontario Wheat Producers' Marketing Board need their money—

Senator Macdonald: It is not a bill that comes into effect on Royal Assent.

The Chairman: I would not know when they proclaim it.

Senator McNamara: I hope it will get Royal Assent this afternoon.

The Chairman: I think the moneys would get to the Ontario wheat producers by June 30. They wanted us to rush. In any event, I think the Ontario Wheat Producers' Marketing Board will have their money in adequate time to go forward with closing their wheat account and getting their money to the producers at the earliest date. I have calculated the cost of this delay. I do not think the Senate has delayed this in any way, because we have had the bill for just over a month. I have worked out the cost to be about eight cents a day for each producer—the interest he is paying. I do not think it has been burdensome. I think it is fair to say that the government would have had the power to pay it every month under an appropriation act,

but they thought they should do it the normal way; and this is the normal way. On bills that we have not amended in the past—

Senator McNamara: Is it to be reported now, without amendment?

The Chairman: Yes. I take it that has been agreed. We have sometimes attached to a bill, passed with or without an amendment, a report and a recommendation. The Ontario Wheat Producers' Marketing Board seem to have it in their minds that immediately this is passed the first annual review will come into effect. I am under the impression that this might not happen, but, of course, I do not know. I know there has been some disposition to make a recommendation asking that the first annual review be made after July 1 or after this bill becomes law.

I have prepared a draft recommendation which can be circulated. If the members of the committe are in favour of the wording, it can be adopted. If the committee thinks there should be some minor changes, we could consider those. If the committee feels that we should not suggest to the government that it have an immediate review, we do not need to report it, of course.

Senator Molgat: Mr. Chairman, in light of the fact that this policy was developed back in the fall of 1973, when it was first announced by the Prime Minister that there would be a seven-year period which had been negotiated with the farm bodies at that time, in my opinion it is reasonable for us to request that the review proceed now. Certainly costs have gone up very substantially in that time. I think the intention of the government is clear in clause 5(3) that they want to do this. If we re-emphasize it, it will make the point that much more effective.

The Chairman: The proposed draft is before you.

Senator Haig: There is no date.

The Chairman: The recommendation will go in with the report. Is there no date?

Senator Haig: No.

The Chairman: Perhaps we could put in July 1, or immediately on proclamation.

Senator Lafond: I wonder whether we should not hitch our recommendation, if any, to clause 3 of the bill. In paragraphe (a) it applies, commencing July 1, 1974; or in (b), on August 1, 1974.

The Chairman: What is your suggestion?

Senator Lafond: That we refer to that clause in our recommendation, that the provisions in the new legislation will have been deemed to have applied for a year or more, and that the review described in clause 5(3) should therefore apply immediately.

The Chairman: We could try to edit it right now. Would you repeat that, Senator Lafond?

Senator Lafond: Article 3 of the bill says that this act applies commencing July 1, 1974, or on August 1, 1974, in relation to wheat produced outside the designated area. There is a 30-day lapse there. In fact, the provisions of the act, once passed, will have applied for 12 months.

Senator Haig: Did the Ontario board want a review each year, because they are about six months behind?

Senator McDonald: Article 5(3) states:

The Minister shall, on an annual basis—

I think the concern is, when shall this annual basis begin? When will be the first one?

The Chairman: We might put in a review on July 1, 1975, or the date when this act is proclaimed, whichever date is the earlier. That would date our recommendation.

Senator McNamara: Mr. Chairman, I am not opposed in principle to this, but I see some technical difficulties so far as Western Canada is concerned. First, they cannot do anything until they proclaim the act; they could not have a review before that time.

I see that the minister is definitely instructed to do things on an annual basis. As I understand it, in the West—unless it has changed in the last five or six years—the Wheat Board under this act is advised to sell wheat in the best interests of the producers and at the best price it can get; which means that it must do that unless otherwise directed by the government.

Each year, prior to August 1, the government has to advise the Wheat Board what the initial payment and the selling price for the domestic market will be. I visualize that before August 1 the government will have to advise the Wheat Board the price at which wheat will be sold for domestic consumption in Canada, and that will apply until the regulation is changed—and it is very seldom changed until the next crop year.

It means that the government will have to review by August 1, regardless of the provisions of this act, the instructions they will give the Canadian Wheat Board, which is the major part of this operation, regarding the price at which wheat must be sold for domestic consumption in Canada.

I question whether there is any particular benefit to this, or whether we, with an act not yet proclaimed, are in a position to advise the minister, which is the Governor in Council, that the government must live up to the provisions of this act not later than a certain date.

It is pretty clear in the act that the minister is committed; but whether he will do it in July of this year, I do not know. They usually wait until July 31 before they come to grips with instructions to the Wheat Board regarding domestic prices.

I have no objection to this going through, if it is a suggestion for the minister's consideration; but I cannot see any particular value in it, unless it might reflect that we were conscious that there should be a review as soon as possible.

The Chairman: What you say may be perfectly right. They have to decide what the payment will be by August 1. But they may feel they have the bill through and the first annual review should come a year from now. This is merely a recommendation. This draws it to their attention. I would think this strengthens the minister's position. No doubt he would be anxious to do the best he could under this act. I see no disadvantage in proposing it.

Senator McDonald: I do not see any disadvantage, Mr. Chairman. It seems to me that in view of what Senator McNamara has said, it is perfectly logical that the price must be set by the beginning of the crop year, which is August 1. That would allow about a month, if the bill is given third reading today, in which instructions can go to

the board, whether they are instructed to pay the same price as last year or a new price. It might strengthen the minister's hand if he had a recommendation from this committee to have a review prior to those instructions going to the board for the next crop year. There is no doubt that the cost of producing wheat over the period that this program has been in effect without legislation has increased considerably.

The Chairman: If there are no further comments, and assuming we want to do this, is the draft before the committee adequate, or is it the wish of the committee to change it in some way?

Senator McNamara: I think this covers the point, Mr. Chairman.

The Chairman: Is someone prepared to move that we include this recommendation as part of our report to the Senate on this bill?

Sengtor McDonald: I so move, Mr. Chairman.

Senator Macdonald: I second the motion, Mr. Chairman.

The Chairman: All those in favour of the motion?

Hon. Senators: Agreed.

The Chairman: I shall report the bill, then, without amendment, and attached to the report of the committee will be this recommendation that the annual ministerial review take place immediately.

There is one other item I should like to deal with before adjourning. At a previous meeting, Senator McNamara requested an *in camera* meeting at the earliest possible date. Are honourable senators prepared to go into an *in camera* meeting, as soon as we adjourn this public meeting, to hear what Senator McNamara wishes to put before us?

Hon. Senators: Agreed.

The Chairman: The public meeting, then, will adjourn, following which the committee will immediately go into an *in camera* session.

The committee continued in camera.

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada.

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FIRST SESSION—THIRTIETH PARLIAMENT
1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

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Issue No. 24

TUESDAY, JULY 15, 1975

Complete Proceedings on Bill C-53, intituled:

"An Act to amend the Prairie Grain Advance Payments Act, No. 2"

REPORT OF THE COMMITTEE

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue McDonald Blois McElman McGrand Côté *Flynn McNamara Fournier Michaud (Restigouche-Molgat Gloucester) Norrie Greene *Perrault Haig Sparrow Hays Williams Inman Yuzyk—(22). Lafond Macdonald

*Ex officio members

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate. July 10, 1975:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Molgat, seconded by the Honourable Senator McDonald, for the second reading of the Bill C-53, intituled: "An Act to amend the Prairie Grain Advance Payments Act, No. 2".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Molgat moved, seconded by the Honourable Senator McDonald, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Tuesday, July 15, 1975

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 10:00 a m

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Haig, Hays, Inman, Lafond, McGrand, McNamara, Michaud, Molgat, Norrie and Yuzyk. (12)

The Committee proceeded to the consideration of Bill C-53, intituled "An Act to amend the Prairie Grain Advance Payments Act, No. 2".

Witnesses:

Department of Industry, Trade and Commerce:

Mr. N. A. O'Connell, Assistant Chief, Market Operations Division, Grain Marketing Office; Mr. D. Gibson, Grain Marketing Office.

After discussion it was Resolved to report the said Bill without amendment.

At 10:25 a.m., the Committee proceeded to consider the next order of business $in\ camera$.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Report of the Committee

Tuesday, July 15, 1975

The Standing Senate Committee on Agriculture to which was referred Bill C-53, intituled: "An Act to amend the Prairie Grain Advance Payments Act, No. 2" has, in obedience to the order of reference of Thursday, July 10, 1975, examined the said Bill and now reports the same without amendment.

Respectfully submitted,

Hazen Argue,
Chairman.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, July 15, 1975

The Standing Senate Committee on Agriculture, to which was referred Bill C-53, to amend the Prairie Grain Advance Payments Act, No. 2, met this day at 10 a.m. to give consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, the bill we have before us is the one Senator Molgat sponsored in the chamber. Our agenda this morning consists of the discussion of this bill, and if its consideration is concluded in good time we will continue consideration of our interim report on crop insurance. After that I have one or two items to discuss with regard to our future research procedures.

Without further ado, therefore, we will open our discussion on Bill C-53. We have with us this morning Mr. N. A. O'Connell, Chief, Market Operations Division, Grain Marketing Office, Department of Industry, Trade and Commerce. You know Mr. O'Connell already; he has been with us before. With him is Mr. D. Gibson, of the Grain Marketing Office, Department of Industry, Trade and Commerce. Perhaps Mr. O'Connell will provide us with a brief explanation of the main items in the bill.

Mr. N. A. O'Connell, Chief, Market Operations Division, Grain Marketing Office, Department of Industry, Trade and Commerce: Thank you, Mr. Chairman. I do not think the bill itself requires much comment. It does a number of things. It enables the producer who chooses to deliver grain to the off-board market also to repay his cash advance in the manner. Secondly, if he exercises that option, it enables him to do so without being penalized by having to pay interest. Currently, a producer who repays a cash advance in cash, as it were, rather than delivering grain, is penalized by having interest charged on his advance. Now, in effect, for a producer to deliver grain to the so-called off-board market is almost the same thing as repaying in cash, but since he has this option open to him the government considered that it would be unfair to penalize him on that account, and so it removed that penalty in this particular example.

The other thing that the bill does is more or less consequential on the earlier amendment. It simply increases the advances which are available on unthreshed grain, and for the purposes of drying grain, in the same proportion as the original maximum limit of \$6,000 was increased; that is, two and a half times in each case.

I think, Mr. Chairman, those are the elements of the bill.

The Chairman: Yes. We have already had a bill on advance payments and, as Senator McNamara remarked only a few minutes ago, that was really concerned with the principle of the bill, with which we have made some

progress already. Now here is something with some further details.

Are there any questions from members of the committee?

Senator McNamara: To open the discussion, Mr. Chairman, I wonder if the witness can give us the latest information on the figures with regard to repayment of cash advances. I think Senator Molgat gave figures when the bill was introduced, which I do not have with me, but do you have an up-to-date report on the repayments of cash advances, Mr. O'Connell?

Mr. O'Connell: This is as of the end of June, which I think is actually about the same as the information that Senator Molgat may have provided. For the current crop year, up to the end of June, 14,069 advances had been issued for a total amount of \$46.7 million. Of that amount the amount outstanding for the current year was \$13.9 million—almost \$14 million. That is the situation in the current year.

Senator McNamara: But there have been heavy deliveries since that time, have there not?

Mr. O'Connell: There have been heavy deliveries, and there will probably be more until the end of the month.

Senator McNamara: Just one more question, Mr. Chairman. I should know the answer to this one, but I am afraid I do not. In previous years, when we had the crop figures and the amount outstanding, did that take into consideration the amount of payments up the end of December? I do not think anybody is put into default before then. other words, when you reported last year, the payments between August 31 and December 31 of this year would reduce that outstanding amount. Is that not correct?

Mr. O'Connell: That is correct. Normally people are not placed in default until plenty of time has gone by, and, as you say, for the current year there will be a certain sum in here. This amount that is outstanding is not in default, of course; this is simple what producers still have to pay. The amount that will be in default will only be a fraction of this sum of \$14 million.

Senator McNamara: The reason I ask this question is that when Senator Molgat was giving us the figures in the chamber the other day there was one year that looked a little low with regard to the amount outstanding, but that was the year, I believe, when the board was not able to take all the grain available, and automatically it was low; but this was cleaned up in the subsequent period.

Mr. O'Connell: That is correct. There were two years when the program had very heavy use because the market conditions were very bad. That was in the years 1968-69 and 1969-70. The greatest use ever was made of the pro-

grams in those years, and a corresponding amount was outstanding.

The Chairman: What happens if a producer has an unpaid balance as of July 31, and it continues to be unpaid and he comes in for a new cash advance?

Mr. O'Connell: If he has an amount outstanding, that is simply taken off the new advance to which he may be entitled.

Senator Yuzyk: This is marked as Bill No. 2, and it is very similar to Bill No. 1. Why were the two bills not put together as one bill?

Mr. O'Connell: That is a good question, senator, and to be quite honest with you I think they could have been, but in the first instance I think the main intent of the government was simply to implement what they had first of all decided to do. Following that it was decided that some consequential amendments were necessary. One was necessary simply because a new marketing policy had been introduced with regard to domestic feed grains, and the other two amendments dealing with unthreshed grain and the drying of grain could have been included in the original bill, but they were not.

Senator McNamara: My understanding was that with regard to the unthreshed grain and the undried grain a problem did develop. I am not making any excuses for the government, but I know that at one time the board announced to the producers that the commercial drying facilities were completely in use, and that they would not be in a position to accept further grain deliveries, and so that put the onus back on the farmers. I think, recognizing that this was a situation that could prevail again, the government thought it wise to bring in an additional advance that would cover part of the expenses of the producers having to dry it themselves on their own farms without having to put it into commercial facilities.

Senator Yuzyk: But there was some experience from past years in the matter of drying grain and grain that was under snow, was there not? So that could have been foreseen.

Mr. O'Connell: Yes, I suppose so.

Senator Yuzyk: However, I am not going to press the question. I just wondered why it was not done when it could so easily have been done at the same time.

Mr. O'Connell: I must confess that my memory on that aspect is not too good. I would say also, of course, that sometimes the drafting of these things is well under way before certain developments take place and the only thing to do is to introduce amendments to cover them in a further bill. But your point is well taken.

Senator Yuzyk: Since this piece of legislation is very beneficial to producers of wheat, oats and barley, why could this legislation not be extended to include other grains such as rye, flaxseed and rapeseed? This question was partially answered by Senator Molgat on second reading, but I am wondering why, since this question was raised before in connection with the other bill, no thought has been given to these other grains.

Mr. O'Connell: As far as I am aware, it is the government's intention to extend a program of this sort to other grains, but this particular piece of legislation, of course,

only deals with those grains which come under the purview of the Canadian Wheat Board, and consequently I would think it would be hardly feasible to include those other grains under this type of legislation. Certainly, I think it is the intent of the government to develop a similar type of program for those other grains.

Senator Yuzyk: The Wheat Board would not be opposed to such legislation—or would it?

Mr. O'Connell: Not as far as I am aware.

The Chairman: It would not have anything to do with it.

Senator McNamara: I would like to make a personal observation from past experience. I do not think that my former colleagues would be opposed, particularly having regard to the excellent record they have in handling these cash advances, but it must be realized that the problems would be increased if it were handling grains not controlled by the board. Wheat, for example, has to be bought from the board, and there the board has very close check on repayments, but in the case of flax, rye or rapeseed the board would not have as much supervision.

Senator Yuzyk: Have there been any representations from the producers of these other types of grain?

Mr. O'Connell: I would say very minimal representation. I have seen some, but I would have to consider them as being merely individual letters in that regard, and that is why I would say the volume has been minimal. I am certainly not aware of any concerted representation being made to have these provisions extended to those other grains on the Prairies.

Senator Yuzyk: There does not appear to be a general problem of pressure at all on the part of these other producers.

Mr. O'Connell: I do not think so. Of course, there are a few things that one would have to take into account here. First of all, the level of advances on wheat, oats and barley in the past, compared with the new levels, probably would take care of the vast majority of the farmers' requirements in this regard, so I do not know if the bringing in of additional grains would add anything in particular. If they can get a sufficient advance on a certain number of grains, then that would serve the purpose. Another consideration is that more often than not, in the case of rye, flax and rapeseed, they tend not to be under the same quota constraints as wheat, oats and barley, simply by virtue of their smaller volume, and more often than not these tend to be on open quota rather than on closed quota.

Senator Yuzyk: I understand now. Are the maximums of unthreshed grain and for the drying of grain, of \$1,500 in one case and \$7,500 in the other, included in the general maximum of \$15,000?

Mr. O'Connell: In the case of unthreshed grain, yes; in the case of drying grain, that can also be additional.

Senator Yuzyk: I now have another question regarding clause 5 with respect to section 11(1), with particular reference to the bottom of page 2. I am not clear on this particular point, which is as follows:

... the manager or operator of an elevator authorized to purchase grain for the Board or other person receiving delivery of the grain ... I understand that it is the elevators that handle the grain and here "other person" is mentioned. What "other person" could be considered to accept the delivery of grain?

Mr. O'Connell: That is merely to cover the situation, if I might refer you back to clause 1, in which the kind of elevator at which this can take place is more or less delineated. Clause 5, with respect to section 11(1) of the act, provides that there is a certain kind of elevator at which this deduction shall be made, and it further provides that whether the actual operator or the manager is there, or someone such as his assistant who may be carrying on the work on a particular day, regardless of who is there working on that day, the deduction shall be made. So it is really providing that it is, in effect, the operator, the manager, or someone designated by them or who is working for them in a given period.

Senctor Yuzyk: This, of course, is an addition, is it not, to the present legislation?

Mr. O'Connell: It is additional to the present act.

Senator Yuzyk: This "other person" would have to be a licensed operator, then?

Mr. O'Connell: Or his stand-in.

Senator Yuzyk: Or his assistant?

Mr. O'Connell: Yes.

Senator Yuzyk: Then, if in one case it must be a licensed operator, how is it that an unlicensed assistant would be in a position to accept delivery of the grain?

Mr. O'Connell: Well, I will not argue on the legalities of the legislation, as I am not a lawyer, but the main covering one is that he be the licensed operator of the elevator or, as I say, his substitute, and it is to that which that phrase applies.

Senator Yuzyk: The licensed operator is really ultimately responsible.

Mr. O'Connell: That is correct.

Senator McNamara: What is the status of a feed mill? Is it considered to be a licensed elevator now?

Mr. O'Connell: No.

Senator McNamara: Well, if a feed mill bought the grain, it would not be responsible?

Mr. O'Connell: No.

Senator McNamara: Or a feed lot operator?

Mr. O'Connell: No; this, of course, is no change from past legislation.

Senator Molgat: There were some questions asked on second reading with respect to proclamation. I wonder if Mr. O'Connell could comment as to when it is planned for this legislation to take effect. Is it to be July 31?

Mr. O'Connell: It will be on August 1, senator, for the coming crop year. If this particular bill has been passed and received royal assent, both this and the first one, No. 1, would come into operation for the beginning of the crop year.

Senator Molgat: Another question was asked with regard to who pays for the losses. The government covers the interest costs?

Mr. O'Connell: That is correct.

Senator Molgat: But the losses of the past year, are they covered by the government or does the Canadian Wheat Board absorb them?

Mr. O'Connell: The bulk of them are covered by the government, but the companies, as it stands at present, are liable for some. They are liable for 10 per cent of the advances issued which are put in default, or not exceeding one-quarter of 1 per cent of all advances which a particular company might issue. This is something which is agreed upon between the companies and the Canadian Wheat Board. The balance of any default, the other 90 per cent, is picked up by the government.

Senator Molgat: There is no charge to the Canadian Wheat Board in this regard at all?

Mr. O'Connell: No charge, but I should say that the Canadian Wheat Board administers the legislation and does bear the costs of that administration, which are fairly substantial these days.

Senator Molgat: That is the only cost that the Canadian Wheat Board and, hence, the wheat or grain farmer, covers?

Mr. O'Connell: Right.

Senator Yuzyk: In other words, Senator Molgat was correct when he gave the explanation to those questions.

Senator Molgat: I could not give definitive answers, and that is why I wish the matter to be cleared up now by the expert from the department.

Insofar as the outstanding balances shown in the tables are concerned, some go back to the earlier years, 1957 and 1958. Presumably they are no longer outstanding and have been written off, the Wheat Board being paid.

Mr. O'Connell: I suppose I should say advances are never written off, to be realistic. Perhaps if we can go back to the very early years, the chances of recovery are probably pretty remote and at some stage they must be written off. In that case they will be recovered in the usual manner. The board follows the practice, even if they are outstanding for some time, of leaving them in that position, because no one knows whether the producers involved will re-appear in another guise with another party.

The Chairman: Are there further questions? Are you ready to consider the bill clause by clause?

Hon. Senators: Agreed.

The Chairman: Does clause 1 carry?

Hon. Senators: Carried.

The Chairman: Does clause 2 carry?

Hon. Senators: Carried.

The Chairman: Does clause 3 carry?

Hon. Senators: Carried.

The Chairman: Does clause 4 carry?

Hon. Sengtors: Carried.

The Chairman: Does clause 5 carry?

Hon. Sengtors: Carried.

The Chairman: Does clause 6 carry?

Hon. Sengtors: Carried.

The Chairman: Does the preamble carry?

Hon. Senators: Carried.

The Chairman: Does the title carry?

Hon. Sengtors: Carried.

The Chairman: Shall I report the bill without amendment?

Hon. Senators: Agreed.

The Chairman: Thank you very much, Mr. O'Connell and Mr. Gibson.

Mr. O'Connell: Thank you, Mr. Chairman.

The committee continued in camera.

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada



















FIRST SESSION—THIRTIETH PARLIAMENT 1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 25

WEDNESDAY, JULY 16, 1975

Complete Proceedings on Bill C-50, intituled: "An Act to amend the Agricultural Stabilization Act"

REPORT OF THE COMMITTEE

(Witnesses: See Minutes of Proceedings)



THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue
Blois
Côté
*Flynn
Fournier
(RestigoucheGloucester)
Green
Haig
Hays
Inman
Lafond

Macdonald McDonald McElman McGrand McNamara Michaud Molgat Norrie *Perrault Sparrow Williams Yuzyk—(22)

(Quorum 5)

^{*}Ex officio members

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, July 15, 1975:

"Pursuant to the Order of the Day, the Honourable Senator Greene, P.C., moved, seconded by the Honourable Senator Macnaughton, P.C., that the Bill C-50, intituled: "An Act to amend the Agricultural Stabilization Act", be read the second time.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read a second time.

The Honourable Senator Greene, P.C., moved, seconded by the Honourable Senator Macnaughton, P.C., that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier,
Clerk of the Senate.

Minutes of Proceedings

Wednesday, July 16, 1975

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 3:30 p.m. to give consideration to Bill C-50, intituled: "An Act to amend the Agricultural Stabilization Act".

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Greene, Haig, Inman, Lafond, Macdonald, McNamara, Michaud, Norrie and Sparrow. (11)

In attendance: Mr. Albert F. Chambers, Research Assistant to the Committee.

The following witnesses from Agriculture Canada were eard:

The Honourable Eugene F. Whelan,

Minister;

Mr. W. E. Jarvis,
Assistant Deputy Minister,
Production and Marketing and
Health of Animals Branch,
and Chairman,
Agricultural Stabilization Board.

Also present but not heard:

Mr. D. E. Lousley, Livestock Division;

Mrs. Linda Lomax.

After discussion and upon Motion of the Honourable Senator Greene, it was *Resolved* to report the said Bill without amendment.

At 5:10 p.m., the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard,
Clerk of the Committee.

Report of the Committee

Thursday, July 17, 1975

The Standing Senate Committee on Agriculture to which was referred Bill C-50, intituled: "An Act to amend the Agricultural Stabilization Act" has, in obedience to the order of reference of Tuesday, July 15, 1975, examined the said Bill and now reports the same without amendment.

Respectfully submitted.

Hazen Argue, Chairman.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Wednesday, July 16, 1975

The Standing Senate Committee on Agriculture, to which was referred Bill C-50, to amend the Agricultural Stabilization Act, met this day at 3.30 p.m. to give consideration to the bill.

Senator Hazen Ārgue (Chairman) in the Chair.

The Chairman: Honourable senators, I am sure we are all delighted to welcome to our committee this afternoon the Honourable Eugene Whelan, Minister of Agriculture. He has with him Mr. W. E. Jarvis, Senior Assistant Deputy Minister, Mr. D. E. Lousley, Livestock Division, and Mrs. Linda Lomax from the minister's office. There is also Mr. Bert Hargrave, the distinguished member of Parliament from Medicine Hat, a friend and supporter of the minister.

The Honourable Eugene F. Whelan, Minister of Agriculture: I am glad you put it like that.

The Chairman: Anyway, we are very pleased that you are here, Mr. Minister. We have before us Bill C-50 and we have some idea of what is in it, but we are not all that well acquainted with it, so we would appreciate it if you would give us your opening statement or explanation.

Hon. Mr. Whelan: Thank you very much, Mr. Chairman. I do not have a long statement to make, but I have a short one that I think outlines the intent of Bill C-50. I am sure the members of your committee, Mr. Chairman, are familiar with the bill; they have had months to study it while it was in the other place.

It was introduced in the House of Commons on February 10, and was the subject of some discussion and speculation before that. It has also been the subject of debate in the press and I understand that one of my predecessors, Senator Green, made an excellent presentation of the bill in the Senate yesterday.

Sengtor Greene: That is why they are confused.

Hon. Mr. Whelan: We have given Parliament, the agricultural community and the general public more than ample time to consider all the implications of this legislation. The farmers know what is in this bill and they want to see it safely enacted and brought into law.

I am here, Mr. Chairman, to answer any questions that the committee may have, but at the outset I should like to make a few general comments about stabilization and to deal with a few of the more serious points which I feel, so far as the position of the government is concerned, have been misunderstood.

If I were asked to try to find one good thing to say about inflation I would say that inflation has made the consuming public aware of where their food comes from. I do not know why it has taken an international monetary crisis to drive home this fundamental point, but I am glad that

something has finally done so. The other fundamental point is that if Canadians are to continue to enjoy the best food in the world at prices they can afford to pay, then the food production industry has to be able to count on adequate returns to stay in business and to plan for the future.

The federal government made a commitment to the people of Canada— and that includes the people who live on farms—that it would introduce a national food policy. This is something a lot of people seem to have forgotten, but the government certainly has not—that they would provide farmers with adequate returns for their investment and labour and would provide consumers with food at reasonable prices.

When the legislation now before Parliament is passed, commodities representing 88 per cent of the total farm cash income will be protected by stabilization programs. As you are all aware, Bill C-50 gives the Governor in Council the authority to bring any commodity under a stabilization plan at any time. The two aspects of this bill that raised the most questions are the formula for fixing the support level and the question of toploading. I shall deal with them one at a time.

The previous legislation sets the support to farmers at 80 per cent of a ten-year average price. Honourable senators, you can easily see that with the recent price trends such a support would provide only token relief and would do nothing to encourage the farmer to plant a crop next year or to raise that particular kind of livestock or poultry. The new formula is 90 per cent of a five-year average plus a cost of production index. It can be argued that the 90 per cent of the five-year price could still be well below today's prices. The danger in shortening this period any more—to two years, for example—is that it could coincide with the low point in a price cycle and the support price could be out of line with reality. It is the cost of production index that makes the new legislation effective. Take, for example, a commodity that had a ten-year average price of \$1.50 and a five-year average price of \$2. Under the old law the mandatory support level would be \$1.20, whereas under the new law the support would be \$1.80 plus a figure determined by the rate of increase in the input cost. Supposing that index added \$1 to the level, then the producer would be guaranteed \$2.80, or more than twice what the old law would have paid.

Now, let us look at the question of toploading. Bill C-50 allows the government to set up stabilization programs that allow provincial and producer participation. Some critics have chosen to interpret that as meaning that a province could add on to a federal stabilization plan to give producers in that particular province an unfair advantage. That is not what the legislation provides. The federal support would not give one province an advantage over another. If producers or the provincial government feel that the support level for a commodity should be

higher than 90 per cent, there is provision for them to contribute to a higher level, but the support level must be uniform—and I repeat that—it must be uniform across the country. If one province tried to pay its producers more, the federal government could withdraw some of its funds.

I do not know, Mr. Chairman, if you followed the debates in the House of Commons, but I have some notes that I had prepared concerning some of the points made in the House of commons and some of the statements that were made, and maybe it would be better to proceed with them at this time. This might clarify some of the questions in some senators' minds, if they have read the debates in the House of Commons.

The Chairman: Our rule is the same as yours, in that we do not refer to things in the other place, but there is certainly no rule against commenting on the kinds of things that were raised in the other place.

Hon. Mr. Whelan: A number of matters were raised, on the last day of debate on the third reading of this bill, which should not go unchallenged. Reference was made to decisions to be made on an interdepartmental basis as a result of the passage of this bill. I see no reference to the suggestion in the bill unless it is concluded that reference to the Governor in Council is equivalent to joint interdepartmental decision. A prescribed price above 90 per cent of the five-year average price adjusted for production cost changes requires Governor in Council approval, but this is no different than the existing legislation. The production cost adjustment is new in this bill, and Governor in Council approval is required for the method of calculation of the production cost index. The "other powers" referred to in clause 52 require Governor in Council approval before implementation, but these would be the result of a recommendation by the board following consultation with producer groups as guaranteed in clause 2. subsection 7.(1)(b). Any toploading proposals must meet with Governor in Council approval.

It seems to me, Mr. Chairman, that in each of these instances the need for Governor in Council approval is desirable as it assures us a second look at each of these important provisions of this bill. Members of the other place have at times raised fears about the implementation of some of these aspects. However, it should be noted that Governor in Council approval is just one of the safeguards contained in the bill which are designed to prevent the introduction of programs which would hurt Canada's agriculture industry.

It has been suggested by some that the Minister of Agriculture has been given too much power, that he can write a rubber cheque for Agriculture Canada, or that he could write a good cheque for Agriculture Canada. This minister has no intention of writing a rubber cheque.

A suggestion was made that the bill does not contain a firm commitment to ensure that a stabilization plan will not be top-loaded to the detriment of agriculture elsewhere in Canada. Clause 6 specifically states that such top-loading programs would not be allowed.

In relation to the production cost index, it was suggested that this would be administered, possibly, by Statistics Canada. The formulae will be developed and administered by the Agricultural Stabilization Board, with members made up from my department.

It has also been suggested that this bill does nothing that the existing legislation does not do. To a degree that is correct, but this act raises the guaranteed level of support to 90 per cent of the five-year average adjusted for production-cost changes. This is a firm guarantee and the government would be required to support the named commodities at that level. The possibility of producer and/or provincial participation in stabilization programs is also new, as is the inclusion of corn and soybeans in the list of named commodities.

A number of honourable members expressed concern about the dangers of programs under the new provisions establishing a prescribed price that could be too rich especially as it relates to cattle. Some of those same members have also said that 90 per cent of the five-year average was not enough. What they are really saying is that flexibility is needed in this type of legislation.

I submit that the government has recognized this fact and designed these amendments to provide for that flexibility. That is why I think some of them are objecting that it gives me too much power, that it has given me a blank cheque.

The last point I wish to touch on is with reference to consultation. One honourable member suggested that more consultation was needed between myself, the producers and the provinces. Mr. Chairman, I defy anyone to prove that there has ever been any more consultation with the federal minister than occurs with this minister, and the records will show that we have never made a decision since I have been minister without consulting those people who are concerned.

Consultation does not mean that you are going to do exactly what they want. You can suggest to them what your intentions are, and they can suggest to you what their feelings are. But in our democratic system it does not mean that you are going to rubber-stamp what they want. That is my opinion of consultation.

Just because our programs do not satisfy all people at all times does not mean that there was insufficient consultation. As Minister of Agriculture for Canada I must make decisions and bear the responsibility for those decisions; and I can assure honourable senators that I will continue to consult and work closely with the producers and the provinces.

The Chairman: Thank you, Mr. Minister.

Senator Haig: May I ask the minister how he is going to work out production costs? I understand your five-year average. How are you going to add that amount of money which is returned by the five-year average? How are you going to decide on production costs?

Hon. Mr. Whelan: I see no difficulty in working out production costs, because they are there, they are obvious. They are material things, things that they use: taxes on their land, et cetera. These are all involved in their production costs. These are machinery costs, insecticide costs, and so on. They are all input costs.

It may take time to work out a proper formula for each commodity, because they are all different. That is why this act, is not so rigid that it says how you will do it. It would be very difficult to try to work out a formula that we could use for every commodity, whether it be cereal grains, fruits and vegetables, or livestock. It would be very difficult to work with a bill that rigid.

With regard to concern over the grain bill, over stabilization of grain, I would say that there is much too much

detail in it. If they want to make any changes, if they want to have a condition that makes that bill difficult to administer, they will have to come back to Parliament to change it

Senator Haig: You will get statistics from someone to say it costs 85 cents to grow a bushel of wheat on production costs. That includes taxes, interest on money, new machinery, and so on. Is that what you are going to do to work out a formula?

Hon. Mr. Whelan: Not interest on capital investment; interest on capital for operating.

Senator Haig: It would include the cost of machinery, taxes, and all the other expenses.

Hon. Mr. Whelan: Current costs.

Senator Haig: Are you going to work that out on a formula basis?

Hon. Mr. Whelan: We do not think that will be difficult. Perhaps Mr. Jarvis, who is Senior Assistant Deputy Minister and also chairman of the Stabilization Board, might be allowed to say a few words.

The Chairman: Yes.

Mr. W. E. Jarvis, Assistant Deputy Minister, Production and Marketing and Health of Animals Branch, Department of Agriculture; and Chairman, Agricultural Stabilization Board: Very briefly, on the approach we have proposed, we will make a determination of what the production costs will be—that is, the annual cash input costs, the average for the last five years for a unit of production, whatever the case may be. We will then do a projection, depending on the time of the year, of the production costs for the current year. We will take the difference between that determination for the current year and the previous five-year average. If there is a difference of 25 cents, that will be added to the 90 per cent average price.

Senator Haig: That is the answer I wanted. Thank you.

Senctor Greene: Mr. Minister, I am given to understand that the province of British Columbia already has a top-loading proposal with respect to beef. I take it from the assurances in our original message that if that top-loading agreement results in giving the beef producers of British Columbia an advantage over beef producers of any other province—and this is a national commodity, surely, there being no regional market for beef—then under section 6(b) the federal government will not enter into such an agreement?

Hon. Mr. Whelan: That is right. I want to clarify what you said. You said they have a top-loading program. They have a program of their own. We have no program at the present time that would affect those calves which they are putting in there; but it could affect our long-term stabilization program for finished cattle. The beef people are arguing this, that it is not the same thing as the federal government is saying about stabilizing. Ours is for finished cattle and theirs are for calves that will be put on the range and end up in feed lots, et cetera. They are arguing this for a different area of production, a different group of producers.

The Minister of Industry, Trade and Commerce, Mr. Gillespie, made a statement the other day that he is con-

cerned about removing the 5 per cent tax on cars in Canada—the provincial tax—as it may be contrary to our trade agreement.

Ontario has a program for calves which is different from the one in British Columbia. It could be interpreted that this is a form of subsidy that makes it difficult to trade in that commodity in the North American market. Whether it could or not remains to be seen. In Nova Scotia you would find that they top-load our industrial milk program at the present time by \$1.50 per hundred. It is the only province which does that.

We have other forms of top-loading that are difficult to search out. Provinces enter into agreements with DREE. They go on their own and subsidize interest rates. I think we would be over-emphasizing or over-stating the position if we said farmers were equal at the present time, because of the many different programs.

For instance, Alberta has eight different programs under which they can aid farmers. There may be more now, because they made a number of commitments in the last election. They won a big majority in the rural areas by doing that.

Some of the other provinces practically depend on the FCC and those type of programs. Some have only one or two programs of their own to assist farmers.

So there is great disparity existing at the present time. We will have to look at many of these things over the long term to assist producers who are competing for that same market, whether it be domestic or international, for export. Some of them are at a very unfair disadvantage because of the different aid programs.

I cannot control that unless I assume full authority—and you know, you are a lawyer—under the Constitution. That is what the Fathers of Confederation said about agriculture. I think you could assume full authority for agriculture if you had a federal government that had a desire to do so. You could then put them on an equal basis.

Senator Greene: If the B.C. cattle program is provincially funded, there is nothing you can do about it unless you want to tackle the whole Constitution. But if they apply for federal participation, and in the judgment of the Governor in Council this would give an advantage to producers in British Columbia over producers elsewhere, then such an agreement would not be entered into by reason of section 6(b). They would have to carry it on their own. Is that correct?

Hon. Mr. Whelan: Yes, but we are concerned—and I think it is the concern of other members—about whether it does put us in a different position and that we would come out with an overall stabilization program for finished cattle. That is the question some of the legal people are looking at, whether this is a different product.

There is another problem that has been brought to our attention by some members, I believe from Alberta. British Columbia has a better hog support program than they have in Alberta, so some of the hogs are going to British Columbia to be finished, to take advantage of the British Columbia program for finished hogs. These are some of the difficulties you enter into when you have different programs. Surely we realize now that these programs can affect the general marketing trade unless it is done on a national scale.

The Chairman: When this bill becomes law what will be the basic support price for finished beef, let us say?

Hon. Mr. Whelan: We do not have that figure, and it is disappointing that we do not have it at this time. We are trying to work out that formula at the present time, because of some of the changing costs and so on. As you know, we have a program that runs out under the old act on August 12, and we have to make some kind of announcement, which I had hoped we could have made by now so that farmers would not be rushing to market their cattle at that time. However, it appears that with the present market trends, if they hold, there will not be any rush to market the cattle at that time because they are higher than the present support price.

The Chairman: Higher than the current price?

Hon. Mr. Whelan: Yes.

The Chairman: I do not know what the statistics would be, perhaps not higher than the 90 per cent over the past five years. I do not have any idea about that.

Hon. Mr. Whelan: It possibly would be higher than the price we have at the present time, but I am not in a position to say whether it would or would not be. There is that possibility.

The Chairman: When this bill becomes law, how long do you think it will be until these basic support prices are public, an actual figure?

Hon. Mr. Whelan: We have to make sone kind of announcement before the August 12 deadline. We said last year that there would be another program announced for another year to carry on from August 12 so that people would be encouraged to feed cattle through the summer, put them on grass and so on through the summer rather than rush them to the market.

The Chairman: This program is not in any sense being made retroactive?

Hon. Mr. Whelan: No.

Senctor Norrie: When you try to arrive at a stabilization price for any commodity, who takes the initiative, the government or the people producing the commodity?

Hon. Mr. Whelan: For named commodities we do, but for commodities that are not named it could be either one, it could be the producer or the government. We watch some of these things very closely. For instance, we have had representations made to us by the sheep producers of Canada about having some kind of a program. We have been working out a program for them. How quickly we will be able to announce it, or whether we will announce it, still remains to be seen. Sheep production is something for which we think there is a place in Canada, but even when we had our support programs production still went down. The difficulty is to get people to take care of them. However, we do think that much of Canada could be productive in this way. Sheep producers made that representation to us. They have made representations to us over the last two years. They have a fund provided by the federal government for promoting their own production programs, sales programs and so on.

Senctor Norrie: Do you conduct a survey of a certain area for a certain crop and contact all the growers, small and large, and arrive at your conclusions in that way?

Hon. Mr. Whelan: We use an average cost of production. We do not just pick out the largest or the smallest. We use an average cost of production.

Senator Norrie: You go to anybody, do you?

Hon. Mr. Whelen: You have to go into the different regions of Canada too, and it is difficult for us to develop a program for a crop marketed nationally but produced in different regions. If it is produced in only one region and marketed in that region, we can, under this act, develop a program for just that region.

Senctor Norrie: Is there any difficulty in arriving at an even stabilization price for the whole of Canada, or does it vary a great deal in different parts of Canada?

Hon. Mr. Whelan: It differs a great deal. There is a big problem with beef because there are many different feeding programs. Beef is traded in a national scale manner more than nearly any other commodity we have. There are feeding programs that vary as high as 20 cents a pound in nearly any province you can think of in Canada. They can be straight grain, forage, silage, a combination of feeding programs and so on. It is a difficult thing to work out a price. It was stated in the house the other day and I do not think the figure is wrong-that it costs 62 cents a pound on a straight grain feeding program to raise finished cattle, top grade cattle. We know it can be done with a combination forage, silage and grain program for about 40 cents to 45 cents a pound. There is quite a difference in some of the feeding programs. For instance, people in Ontario are feeding cattle on grain silage for 42 cents a pound. They will not make very much money, for sure, but they are not going to lose.

Some of them have different advantages in different areas. The same commodities, if they are fed under different feeding programs, in Ontario, for instance, will end up in practically the same market, generally the Toronto market; if they are fed in Alberta some of them may be used right in Alberta, but 80 per cent of the beef consumed in the City of Montreal is from Alberta. It is difficult to try to work out an equitable, fair program. If we pick just the 62 cents a pound cost and use it as a basis you can see how much money some of them would be making.

Senator Norrie: I would go crazy trying to do it.

Hon. Mr. Whelan: Some of us have that advantage in the first place!

Senator Michaud: Mr. Minister, would you care to comment briefly on how this legislation might apply to potato production and potato prices?

Hon. Mr. Whelan: I shall be going to your province next week to open a new research station at Benton, New Brunswick. After studying the history of potato marketing, how many people are marketing, how many people are selling the same product, I have said that this is the last year, as long as I am Minister of Agriculture, that we will put in what Mr. Jarvis assures me is an estimated \$16 million for potatoes.

It appears there will be a short potato crop this year. In the United States there is a potato shortage. England has had the worst potato crop it has had for years, at \$440 a ton. It will probably mean that the world market for potatoes will be higher this year. No program could say to potato-producing farmers in the Maritimes, Ontario and Quebec, who supply the same region, what they will be guaranteed if they produce too many potatoes, but they must produce only so many potatoes in that area for that market. There is no supply management program there whatsoever. No supply management program can guarantee normal yields if there are adverse weather conditions and so on. With respect to that kind of crop that is one of the dangers in trying to work out that kind of program. Surely because a farmer produces 5 per cent too much that is no reason for him to receive 50 per cent less for his total crop, and yet that is what happens in many cases.

So the provinces of Prince Edward Island and New Brunswick have started working on a program. We have an interprovincial-federal group trying to work out a pattern for our program for marketing potatoes. Some people have said that we should simply let them grow them, and then just sell them. Some of the same people say "Then you must not have any quota imports. You must have no restrictions on the border but you must provide stability to that commodity". To me that is utter nonsense. Some of that has to be worked together, especially for a crop that is so perishable. I am sure you are more aware than I how perishable potatoes are, and the same thing holds pretty well true for all perishable commodities. Right at the present time we see the same thing happening with cherries. If there happens to be a big crop in the United States, it is just like a milk pail overflowing. It overflows right into Canada. They take what they can get for themdistressed prices, distressed products. That is what the Canadians then have to take for their total crop, in essence. They are subject to that for part of their commodities at the present time.

We have a new import-export law which we can use—and we use it very fairly—if conditions warrant it. We have to watch these things quite closely. Many of the farmers are asking for a better mechanism so that we can act, or react, quicker on these things, but under our international trading agreements we have certain rules and regulations which we have to abide by, too. We have to notify our trading partners what we are going to do, and so on.

There are those who say that the Minister of Agriculture is a trade restrictionist because he comes from eastern Canada. You know, I have never met a free trader—even if he comes from Saskatchewan or from Manitoba or Alberta. You should see the hundreds and hundreds of letters I have received from those people. And letters from their organizations, too. It all depends on what they are producing and what is being hurt at the time. And you cannot say that in British Columbia they have any idea of what free trade is. Many of us would be free traders in all parts of Canada for all commodities, if we handled things the same as they do for oats, wheat and barley. There is no tariff on those, but just try to import a bushel of oats into Canada. You just cannot bring it in, because there are no permits issued for it.

If that is what you call free trade—and a great many of the editorial writers call that free trade—then I am the biggest free trader in all of Canada, because I am for that kind of program. I certainly do not think we should import anything into our country unless we need it.

Let me give you an example. Let us talk in terms of editors of newspapers. We have enough editors for all of our newspapers. Some are better that others and some are better producers than others. But we would not let them bring into Canada another 100 editors. Even if we did, their jobs would be safe anyhow. But what they say in terms of agricultural products is, "Bring that stuff in and

have your jobs taken away from you. Have your security taken away from you." They call that free trading. It is not so free for that person who loses his income because some smart import broker brought in some commodity. He doesn't think it so free.

You know, the President of the United States of America the other day said to the wheat growers and corn growers of the United States, "Thanks for growing such a big crop." Now, I ask you, Mr. Chairman, and members of the Committee, did you ever try to pay for a combine, tractor or a bank note with "thanks"?

The Chairman: No, their policy is to get the price.

Hon. Mr. Whelan: You just can't do it. And this is the whole principle that we are trying to work on in the program, because nearly any country we deal with has some kind of restrictionist program.

I can give you an example right now in my area. There are 3,000 acres of string beans that could go to waste because the plant is on strike. That is a lot of beans when you are putting them into cans. They have to be either frozen or canned. Only one plant can freeze them now because the rest are all involved in the pea harvest. That plant happens to be in New York State. The press gives you the impression that the United States is a free trader, because they use that great terminology about liberalized trade. Let me tell you how liberal they are with their trade. There is a tariff of \$70 a ton to ship those green beans over there to have them processed. And that is on for all time. That is $3\frac{1}{2}$ cents a pound. Ours is \$30 a ton, $1\frac{1}{2}$ cents a pound, and it lasts for only 14 weeks out of the year. So who is the free trader?

Now, when I want to trade rapeseed from western Canada into the northern states, the duty is 30 some per cent to ship it into their country. Why? Because they grow a lot of soybeans. If I want to ship soybeans, because it would be better for me, often the best market would be Michigan or Ohio. But I can't ship them there because the duty is 60 cents a bushel, a cent a pound. Coming into Canada it is free. I want to ship corn to the United States; the duty is 25 cents a bushel. Coming into Canada it is eight cents a bushel.

I can name many commodities where that great trading partner of ours to the south which everybody thinks is a free trader is not nearly as free-trading a nation as we are.

We are the most free-trading nation in the whole world in terms of agricultural products. So far as tariffs are concerned and with respect to restrictions, no other nation is as free as we are with agricultural products moving in here

We protect our industries just double what we protect our agricultural industry, and yet our agricultural industry is the most efficient part of our society. We have increased our productivity 100 per cent per man in ten years. Compare that to the rest of society in which we have increased our productivity 40 per cent over the whole society.

So you know when I say that I am going to try to make it so that my farmers can make a decent living, I am only agreeing wholeheartedly with what my colleague the Minister of Finance says: "Our people must be productive." Our people in agriculture are productive. And you must not penalize them; you must reward them for being productive, as you would any other part of society.

As Minister of Agriculture, all I am trying to do is make sure that we do have that production, and that it is the intent of the government to have production, so that you can have commodities.

Another way of putting it is that we do not want to see happening in agriculture what is happening right now in the pork industry, Yesterday in Toronto it was \$80 per hundredweight for top grade pork.

The Chairman: \$80 to the producer.

Hon. Mr. Whelan: Yes, to the producer. Never in the history of Canada did the pork producer ever get that much for his produce. And why is the situation like that now? Because he did the same thing as they have done in the United States. They have an embargo on our pork going to the United States. Thank God they have, or some of you senators would not be able to eat that Canadian bacon. It would not be here; it would be over in New York and the rich Americans would be eating it in the United States, because they cannot buy it there because we have no more quota to ship to them.

I had a news person say to me the other day, "Mr. Whelan, you have to remove those quotas so we can get more products." He said, "There is no quota on American pork coming into Canada." But we cannot ship a pound to the United States at the present time because our quota has completely run out because of their restrictionist trading program in the United States.

But again the other day some of the members in the House of Commons raised hell about the egg situation. They wondered what we were doing about controlling production and they said how I had forced the ministers of agriculture to come 'round to my way of thinking.

I want you to know first and foremost with respect to stabilizing the egg market that it was not the federal government which thought that idea up. The provinces wanted that because of the egg wars which were taking place and because they had judicial hearings which said that they must.

You know, I get the damnedest questions. I got one from my old colleague Herb Gray today. He wants to know if everything is going to be made public. But no one put in the paper that eggs were ten points less when the price of food went up the other day than they were a year ago. Most of them had an article in there that said, "But we can expect eggs to go up in price." And yet they were less than they were last year.

Can you imagine what the headlines would have been if every other commodity had been less than it was the year before? Actually, I don't think there would have been any headlines. They probably would have hidden it on the back page some place, as far as that goes. I did not mean to give you a speech, senator.

The Chairman: The farmers love you, Gene, and we all love you.

Perhaps I might ask a question at this point. Would you anticipate that there could be support prices for any of these commodities without any supply management? There might have to be or there should be with potatoes or other commodities that are often greatly overproduced in relation to market conditions, and there would be commodities where supply management would not be necessary.

Hon. Mr. Whelan: I can see some products where it takes you some time to get into production. We have a stabilization program, for instance, for beef, but once you curtail production in beef, then it takes you 31½ to 4 years to turn it on again. No beef producer in his economic right mind is going to be able to increase production that much quicker, because there has been no scientific breakthrough that, for example, you can make every cow have three calves or anything like that. But in poultry and pork and things like that we can speed up production in six months very easily. If I provided this stabilization program for pork and if I said, "For every finished hog that you produce, I will guarantee you \$62 a hundredweight"that some of them say they have to have—you can imagine how much pork I would have. It is a perishable product because pork only has a certain lifetime in cold storage. I would have pork coming out of my ears. Senator McNamara who ran the wheat board for years knows that you can store wheat for years and years and you don't have to pay farmers for doing so. They might not have enough money to cover their overalls, but at the same time they may be in the position to supply the world with food. But you do not do that with pork, and you do not do it with chickens-and you do not do it with eggs either. You do not do it with potatoes or with many crops. For potatoes, you would have to gear your program so that if there was surplus products, this could be, according to some economists, uneconomical unless you had facilities to process them. I have seen some reports the other day by some scientists that said that instead of eating 80 per cent of our potatoes in the form that we eat them now we will be eating only 20 per cent that way and 80 per cent will be in processed form. They say they are just as good for you and they have a much longer shelf life so it could be a way that you could plan your production better if more people were to turn to that. My wife can guarantee to make mashed potatoes and you would not know whether they were processed or whether she had peeled them an hour or so before and then mashed them afterwards. She maintains that they are excellent. There are, of course, certain varieties she does not buy but there are certain varieties that she does. We do not use them that much because once cooks or chefs are trained to use a certain product, and this applies to housewives as well, they continue to do so and do not change the trend that quickly. But for the sake of less waste we will be moving more in that direction and we will have to to make sure we can take care of surplus crops. You have that in the canning industry now. Practically all the crops that we grow in Ontario under that good old Conservative government are under supply management and there are more marketing boards in Ontario and have been for a longer time than in nearly every other province in Canada other than British Columbia.

If I had a tremendous crop pf peas this year—which I didn't, by the way, because we had too much hot weather—but some people had peas that went three tons to the acre, you would have every warehouse full. So what would Green Giant do? Contrary to what some of the do-gooders say green peas canned will keep for years and never lose their quality, but under the new law concerning labelling you are going to have these peas canned in June, 1975 and when it comes to August, 1976 people just will not buy them but will buy the ones canned in June, 1976 which could be of a lesser quality than the ones canned in June, 1975. So Green Giant will be contracting less next spring, if they have a big crop, because they know what each crop is. All the competitors go through the Marketing Board

and it is all published, contrary to what some people think, and the Ontario Marketing Board knows all the tonnage that is canned and processed and so Green Giant will contract for that many acres less next year because their warehouses will be full of high-quality products. After ten years in a can, peas may break down, but their protein and nutrition are still there. That is as long as the can has not been dented or punctured or anything like that. So if we have do-gooders putting dates on everything, then people are just going to buy stuff with the earlier date and you can imagine the waste of food that we will have then. Just think what is going to happen then with those great consumer advocates saying, "Date everything that goes on the shelf." I see utter chaos in the supermarkets when that happens. You will have to have your shelves marked 1976, 1975 or 1977 as the case may be. It is a very dangerous thing as far as I am concerned with regard to commodities and the cost to the consumer because nobody can point out to me, and there has never been any evidence produced, that canned produce that has been canned properly in the first place and passed inspection—that the date will do one bit of good for them or make them any healthier or wealthier.

The Chairman: Any questions?

Senator Inman: I should like to ask one question. What is the life of frozen pork?

Hon. Mr. Whelan: I do not think you would want to eat it after six months. It dries out and it loses its flavour. It is a difficult commodity to freeze for many causes. I would not be against dating pork for instance for that reason. You see you have pork speculators who buy pork sides and this type of thing. We told farmers at the Outlook Conference that it looked good for pork production and that they should stay with it. In Eastern Canada they did and even Quebec increased its production of pork. Ontario went down some, and the province that had the highest provincial program and a support price was Saskatchewan and they went down the most, about 40-odd per cent. But where many commodities are concerned, we have books in the department that tell you their lifetime in good cold storage, how long they will keep their protein and natural flavour, et cetera. Some of it loses nothing more than a little of its flavour but some of it also loses a little of its food value after a certain time. But, as I say, we have some excellent books and perhaps we do not publicize them as much as we should. The Food Prices Review Board put out a booklet on nutrition and most of the content was information they got from other departments and they put it in a book and over half a million copies of it have gone out. However, they are not restricted in their budget like we are.

Senctor Greene: Mr. Minister, on the two-price wheat bill, the Canadian Federation of Agriculture made a strong presentation to this committee that the cost increase should be indexed rather than left flexible as your bill has suggested. This committee, in its judgment, went along with your view that it should be left flexible because the federation could not present us with a very good argument for their view. They admitted themselves, in fact, that Statistics Canada index of cost of production was inadequate, and that is the only one there was, while your view was that until we have a better thermometer, let us go along and play it by the seat of our pants each year. I would be interested to know whether the federation had any views that under the Stabilization Act there should be

a fixed index rather than the flexible form that you have left

Hon. Mr. Whelan: There are world-changing conditions. The energy situation could be mentioned as an example. You have to be flexible enough. You can perhaps change it midway in a program.

Senator Greene: We thought the federation was wrong and that you were right on this issue on the two-price wheat bill. You have adopted the same philosophy of flexibility here. Did the federation want a fixed index?

Hon. Mr. Whelan: I had discussions with them in committee, and also in private with the Ontario wheat producers—

The Chairman: I think this bill is much stronger than the other, even though it may have some flexibility. It says:

—or such higher percentage as the Governor in Council may prescribe, of the base price thereof for the year by an index calculated in such manner as may be prescribed by the Governor in Council to reflect the estimated production costs—

The other one was merely a review.

Hon. Mr. Whelan: If I might reply to Senator Greene, the Canadian federation believes in flexibility, depending on the nature of the commodity, its marketing structure and system. They say that a commodity depending on supply and management is a different position from one that is not so managed. A real program marketed under supply and management, so far as I am concerned, should not cost the producers or the government anything if it is run properly.

The Chairman: Why ins't Eastern wheat under this bill instead of the other one? Do you not think there would be more money for the wheat producers if you had it here?

Hon. Mr. Whelan: I would rather not answer that question—

The Chairman: I suggest that with the wording in your legislation, the Ontario wheat producers would have more money under this legislation.

Hon. Mr. Whelan: No. I think he would have less money. I know what the cost of wheat is. Wheat is yielding on my farm nearly 100 bushels to the acre. The cost of any farmer who is getting 100 bushels to the acre of wheat, under any of the guarantees he has under the present program, are fairly good.

That is what they asked for. I think they should stay with it for a while. We are watching it very closely. We want to see them treated fairly. They have agreed to stay with it for another year. They had agreed to submit figures on their costs of production. I said "Give us your cost of production figures, et cetera," but I do not believe we ever received them.

Mr. Jarvis: Not to my knowledge.

Hon. Mr. Whelan: If we have received them, they must have come in lately. The cost of production in wheat varies widely. We set about \$350,000 in Quebec, and the little that they grow in the Maritimes, just on the recent final payment for the crop year.

The wheat in my area will yield from 80 to 100 bushels to the acre if grown on pea or sweet corn ground. When you get further East, in Ontario, you would have an average of 50 to 55 bushels to the acre and you would be doing very well

You can see that the cost of land, taxes in our area et cetera, are perhaps three times as much as they would be in other areas. But the yields are different and the costs are different, just in that small area where they produce, I think, 23 million bushels of wheat.

Mr. Jarvis: Less than that.

Senctor Greene: Ontario wheat producers, we found, were quite in accord, but they differed head on with the Federation of Agriculture. The federation wanted this Statistics Canada index tied to the two-price wheat bill, and the Ontario wheat producers took a diametrically opposite view. They said "It is a lousy index. We would sooner have what the bill says, which is negotiate each year with respect to increased costs, when we can bring in all the factors rather than tie it to any single index."

Hon. Mr. Whelan: There are different views and opinions in many areas of farm organization. Perhaps I can give you a couple, Mr. Chairman. The National Farmers Union believe in a formula indexing the major cost components in each region. Further, they want to include a return on labour and investment which they say cannot be considered in isolation from supply and management. The Canadian Cattlemen's Association want the components of the index and its methods of calculation stated in the regulations. They also wish support at disaster levels only as they are concerned with the possibility of oversupply if a higher support price is allowed.

The Canadian Pork Council says that as much cost as is actually being incurred by the porkproducer should be included in the production cost index. Their objective is to have an income stabilization situation above cost of production, and would like to put into the production cost index whatever is needed to meet that objective.

You can see there is a difference of opinion and a different view in different producers of those important commodities representing each section. We had a brief presented to us by the farm organization, UPA, of Quebec, labelle province, and you can see what they are saying.

They are concerned about many things and they go so far as to say that an import-export corporation should handle all farm products. Even on our egg quota the importer is going to make a little bonanza. On the import quota on cheese, the importer is going to make a little bonanza. He imports the cheese from Poland at half the cost of production in Canada. So it is a licence to some importers just to make money. Therefore they are suggesting a company that will import the product and then put it on the market at a fair price and continue to provide stability.

The Chairman: Honourable senators, we have had a good presentation from the minister. If there are no other questions, on behalf of the committee I want to thank him very much for attending.

Senator Greene: Mr. Chairman, I move that the bill be reported, without amendment.

The Chairman: Honourable senators, are you interested in going through the bill clause by clause or do you wish to have a blanket motion of that kind? Is there a seconder for it?

Senator McNamara: Ves

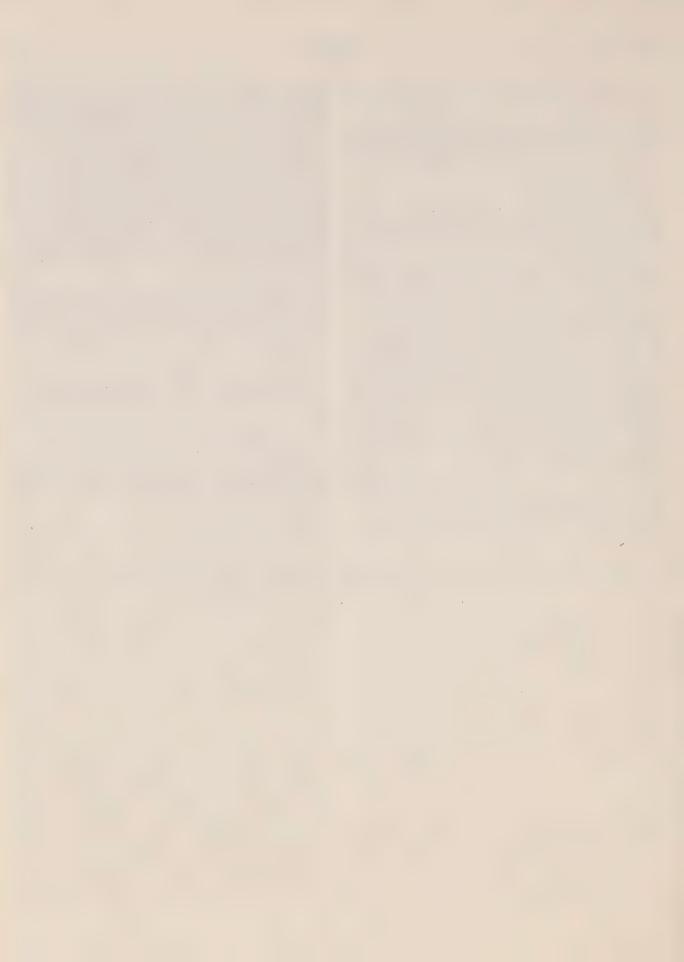
The Chairman: It is moved by Senator Greene and seconded by Senator McNamara that the bill be reported without amendment. Is it agreed?

Hon. Senators: Agreed.

The committee adjourned.

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada.









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Government Publications

FIRST SESSION—THIRTIETH RARLIAMENT
1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman



Issue No. 26

TUESDAY, DECEMBER 16, 1975

Complete Proceedings on:

The Subject-Matter of Bill C-41, intituled:

"Western Grain Stabilization Act"

(Witness: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman; The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Macdonald Argue McDonald Blois Côté McElman *Flynn McGrand McNamara Fournier Michaud (Restigouche-Gloucester) Molgat Greene Norrie Haig *Perrault Hays Sparrow Inman Williams Lafond Yuzyk—(22).

*Ex officio members

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, December 11, 1975:

"With leave of the Senate,

The Honourable Senator Langlois moved, seconded by the Honourable Senator Perrault, P.C.:

That the Standing Senate Committee on Agriculture be authorized to examine and report upon the subject-matter of the Bill C-41, intituled: "An Act respecting the stabilization of net proceeds from the production and sale of western grain and to amend certain statutes in consequence thereof", in advance of the said Bill coming before the Senate.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier
Clerk of the Senate

Minutes of Proceedings

Tuesday, December 16, 1975.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 9:30 a.m. to consider the subject-matter of Bill C-41, intituled: "An Act respecting the stabilization of net proceeds from the production and sale of western grain and to amend certain statutes in consequence thereof".

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Inman, Macdonald, McGrand, Michaud and Norrie. (7)

Witness: Mr. Ralph Goodale, M.P., Parliamentary Secretary to the Honourable Otto Lang, Minister of Transport, and responsible for the Canadian Wheat Board.

At 10:45 a.m., the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, December 16, 1975.

The Standing Senate Committee on Agriculture met this day at 9.30 a.m. to consider the subject matter of Bill C-41, respecting the stabilization of net proceeds from the production and sale of western grain and to amend certain statutes in consequence thereof.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: I welcome Mr. Ralph Goodale, M.P., the Parliamentary Secretary to the Honourable Otto Lang, both as Minister of Transport and as Minister responsible for the Canadian Wheat Board.

I have a special interest in Mr. Goodale because he represents the constituency of Assiniboia which I represented for quite a number of years. I should tell our Conservative friends that he is a man in good standing and he will be around for a very long time.

We have an active Agriculture Committee in the Senate. There has been a lot of interest in it. We have made reports and recommendations from time to time. I do not know by what means they come to the attention of the government, but I think we have been relatively successful. Whether we scooped what they were going to do anyway, or whether they really paid some attention to our recommendations, we like to think that they did. For example, in the case of crop insurance, we recommended that there be some pre-conferences with the Prairie provinces before they established their crop insurance program, and we understand that the rate will be \$3 per acre in the three Prairie provinces. That means quite an increase for Saskatchewan.

I will now introduce our senators: Senators Norrie, Inman, McGrand, Macdonald and Fournier (Restigouche-Gloucester). They are all from Eastern Canada.

This is a briefing session in advance of the bill coming before us, as you know, we having been authorized to consider the subject matter. Probably the best thing you can do, Mr. Goodale, is to take some time in explaining the bill. You can probably answer the normal kind of questions that arise in advance of a bill. No doubt there will be some questions, and I am sure your statement this morning will be helpful to all senators on the committee, in preparation for the time when, I presume, you will again be present, when we actually have the bill before us. We do appreciate your appearance today.

I will now ask Mr. Goodale to make his opening statement.

Mr. Ralph E. Goodale, M.P., Parliamentary Secretary to the Minister of Transport and Minister responsible for the Canadian Wheat Board: Thank you, Mr. Chairman. I am pleased this morning to be able to accept your kind invitation to discuss Bill C-41, the western grain stabiliza-

tion bill. I do so with particular pleasure under your chairmanship for the very reason that you mentioned earlier, that some years ago you were the member of the Commons for the constituency which I now have the privilege to represent, and I consider it a very great honour, sir, to have followed in your footsteps some years after you represented the Assiniboia constituency.

I had hoped to be able to discuss Bill C-41 this morning in more a concrete context—that is, after final approval had been given to the legislation in the House of Commons. We were hopeful that that might have happened last Thursday or Friday, but unfortunately it did not. At this stage I am certainly not in a position to be able to predict when the legislation will be back before the Commons for final consideration at third reading stage. It is, I think, now in all but final form. The legislation has gone through an extensive period of discussion, both inside the House of Commons and outside, and it might be appropriate, Mr. Chairman, to begin by describing briefly the context into which this legislation falls, both in historical terms, in the way it has developed over the past four or five years, and in policy terms, where it really fits in the context of government policy affecting agriculture, and particularly the western grains industry.

The idea of a western grains stabilization plan, as I am sure you are all aware, is not a new one. The problem of instability in agriculture, instability in the incomes of grain producers in particular, is one that has plagued westerners and western farmers for a great many years—no doubt for all of the time that Saskatchewan has been a province in Confederation, and likely long before that. I think it is fair to say that all political parties have gone on record at various stages over the past 30, 40 or, perhaps, 50 years as being in favour of a scheme that would try to eliminate the instability problem.

The difficulty, of course, was that until very recently no specific proposal in concrete and practical terms had come forward to deal with the problem. I suppose the situation in the grains industry that began to develop in 1968-69 was really the catalyst that led to the legislation which is now before the House of Commons. I think it is fair to describe that situation as having been nothing short of a crisis as far as the grains industry in western Canada was concerned. The markets for western grains were beginning to soften very dramatically; prices were skidding downwards. At the same time, the cost of production was moving in exactly the opposite direction. Farmers on the Prairies found themselves in a very severe squeeze position between those two forces. At that point in time, the Prime Minister, recognizing the severity of

the problem, invited a western minister in his cabinet, namely, Mr. Lang, to assume responsibility for the western grains industry.

Perhaps I should pause at this point to describe precisely the mandate which Mr. Lang was given at that time. We hear a lot of discussion, primarily in the House of Commons from the members who sit opposite the government questioning the propriety, if you like, of the minister responsible for the Canadian Wheat Board going forward with legislation of this kind-legislation which does not relate peculiarly to the Canadian Wheat Board or the Canadian Wheat Board Act. The answer to that question is a very simple and rather straightforward one. Mr. Lang's mandate encompasses responsibility for all federal programs and policies affecting the western grains industry. That, obviously, includes responsibility for the Canadian Wheat Board, but it is a much broader mandate than one strictly related to Wheat Board operations. It is under that rather broader responsibility that Mr. Lang has been dealing with the western grains industry over the last several years, and specifically with the particular legislation before the House of Commons now.

The first thing that Mr. Lang did in the early days of 1969, following his appointment, was to establish a new kind of administration within government, which was really an experiment, it never having been tried so specifically before. It was really the drawing together of all the government departments and agencies that had some bearing upon the grains industry. It came as a surprise to me to learn that prior to that time there had been no overall government authority—whether it be a minister, an agent, a government department, or whatever, that really had overriding responsibility in dealing with the western grains industry. Obviously, part of the responsibility rested with the Department of Agriculture; part of it with the Department of Industry, Trade and Commerce; some of it with the Department of Transport; some would involve Treasury Board and some the Department of Finance. Also, there was the Canadian Wheat Board. which at times was under the jurisdiction of the Minister of Agriculture and at times under the jurisdiction of the Minister of Industry, Trade and Commerce, There was obviously a hodgepodge of administration, and that made it rather difficult to deal in a comprehensive fashion with any fundamental problem in the grains industry. For that reason, the first step was to draw all those threads together, and that Mr. Lang did with the establishment in 1969 of the Grains Group. The proper name is the Grains Administration of the Government of Canada, and it involves representatives of the Department of Agriculture, the Department of Industry, Trade and Commerce, the Ministry of Transport, and other special advisers, as required. Under this administrative structure all of the government agencies that had a bearing upon the grains industry have been drawn together in one coordinated and more cohesive effort.

The first difficulty that the Grains Group identified as being fundamental in trying to deal with the crisis which was before the grains industry at that time was the problem of income instability—the problem that grain producers faced with incomes being up one year, down the next, and then back up and back down again. The problem with the high points was that they really could not be enjoyed for fear of how low the next low point was going to be.

I am sure members of the committee are familiar with the pattern of grain producers' incomes over the last few years. I have one graph showing this pattern which I think demonstrates the kind of problem that western grain producers were faced with. The black line jolting up and down shows income levels from one year to the next. Grain producers could not rely upon any sort of steady pattern of income. Instead, they had to put up with a cycle, which was obviously a boom and bust pattern from year to year.

The Chairman: If the committee is agreeable, we will have this graph inserted in Mr. Goodale's remarks at this point.

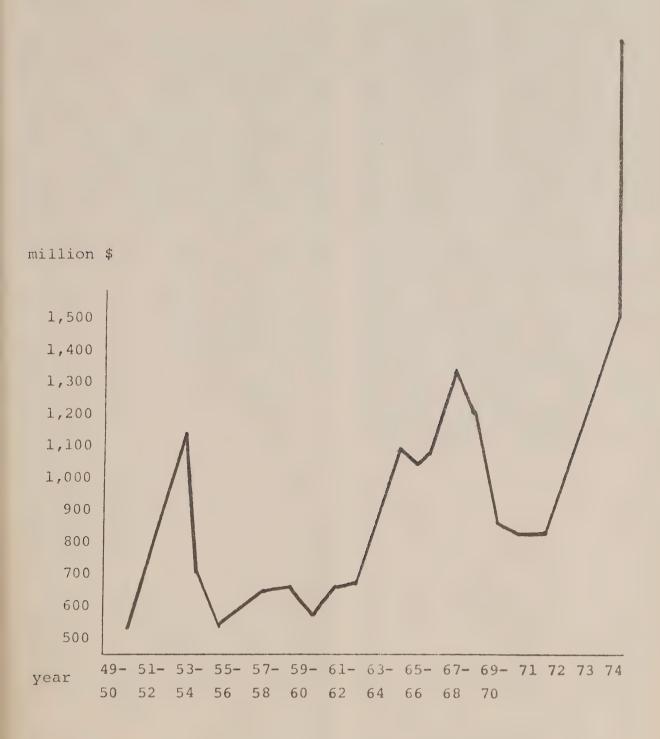
Hon. Senators: Agreed.

Mr. Goodale: The challenge that faced the Grains Group and Mr. Lang in 1969-70 was how to get rid of that instability in incomes. The first proposal to deal with the problem of instability in incomes was presented to the House of Commons in the form of Bill C-244, a piece of legislation which was similar in principle and similar in many of the mechanics to Bill C-41 which is before the House of Commons now. However, it was not precisely the same, in the sense that the earlier bill called for a compulsory plan whereas Bill C-41 does not make the plan compulsory. The earlier proposal also did not take into consideration the cost-of-production factor, whereas Bill C-41 does very directly take that into consideration.

The earlier proposal came forward and was subjected, as you may recall, to rather vigorous debate at that time. Most of the heat and the fury were within the political arena. The comments and criticisms that came from farmers and farm organizations were rather more sober and substantive, and dwelt mainly on the two points which I have just mentioned. The net result of the political controversy was that the legislation had to be withdrawn from the house. It was withdrawn in 1971, at which time Mr. Lang made the commitment that, even though the initial effort had not been successful, he would be coming gack to Parliament at a later stage with another proposal that would try to take into consideration the legitimate comments that had been made by farmers and farm groups and that would try, at long last, to deal with the problem of instability of grains incomes. Bill C-41 is the logical product of that commitment.

It seems that in 1975, or perhaps early in 1976, we will be in a position, as a Parliament, to deal in a final way with this problem of incomes instability,—a problem, as I say, which was identified in specific policy terms by the government as long ago as 1969 and 1970. I am sure that all of us have some regret that it has taken this long to come to grips with this particular problem, but we are grateful at this stage that we are this close to being able to have legislation as significant, as important and as far-reaching as Bill C-41 on the statute books of Canada, and I hope that early in 1976 the legislation will in fact be in place and start to work.

Of course, Mr. Chairman, in the intervening years since 1969 and 1970 the policy work in the grains industry has not ground to a halt. It has been a very active few years, as honourable senators well know, as far as the grains



industry is concerned. It would take longer than we have this morning to touch upon the policy initiatives that have been taken during that period.

Just to put Bill C-41 in context, I would like, in a sort of shopping list fashion, to tick off the particular items which have come before this Parliament and before the government for consideration, in terms of new policies and new initiatives for the western grains industry.

The first important initiative, as far as the functioning of the Canadian Wheat Board is concerned, is an ever-expanding effort by the government to provide the board with new credit facilities and longer term guarantees, so that they can more adequately and, if you like, more competitively service the customers to whom they would like to sell grain. Some of them are not in a very strong position to purchase our grain, particularly at the greatly increased prices that we have seen in the last few years. It is important that the board be able to offer attractive credit terms and attractive guarantees, and the board has been able to do this in the last few years.

Secondly, the board has been encouraged to get into a market where they never really were before 1969 or 1970, and that is the international barley market. Most of our barley production in Canada was directed almost exclusively to domestic consumption. Now the Wheat Board is in the world barley market really as never before. We have seen the development of a market development fund of \$10 million available to promote and encourage new methods of marketing our grain. We have also seen expanded research facilities through the Department of Agriculture and through the Crop Science Division of the University of Saskatchewan in Saskatoon, and through the development of a unique effort, also at the university in Saskatoon, called the POS Pilot Plant. That was a co-operative venture involving the provincial governments, the federal government and private industry, with reference to developing new ways of processing and dealing with, in a secondary way, our grains and oil seeds, so that we may develop new uses and new markets for them.

The two-price wheat program is another initiative that was finally put into place, in terms of legislation, earlier in this session; increases in the cash advances to western grain producers; improvements in the timing of final payments; advance production information to producers, so that they have information about marketing and production conditions in their hands early in the year, long in advance of seeding so that they can make better production decisions on their own. There is also a new quota system, the block shipping system, the purchase of 6,000 grain hopper cars, the box car repair program, port co-ordinators. All of these have been developments that have taken place since the establishment of the Grains Group a number of years ago.

Probably the most significant study, or examination of the western transportation network, which has ever been undertaken, is in the form of the Snaveley and Hall Commissions which are presently at work studying the branch line network in western Canada and the costs of moving grain by rail.

Those are some of the things that have taken place since the establishment of the Grains Group. I think they are indicative of a very active effort, as far as the government is concerned, to deal with a number of problems which have plagued the grains industry over the years, and they form, if you like, the context into which Bill C-41 now falls.

Mr. Chairman, the basic principles of Bill C-41, in a general way I suppose, are pretty well known. As I say, they are very similar to the basic principles that governed the original piece of legislation of four of five years ago. There have been some important changes in the mechanics in the intervening years.

The idea of Bill C-41 essentially is the establishment of a western grain stabilization fund that will build up over the years and become available to western grain products whenever we get into one of those "bust" periods, if you will, again—into a bad time, as far as grain incomes are concerned, a bad time caused by soft markets around the world over which our farmers have no control, a bad time caused by poor prices, again over which our farmers have no control, or a situation where their income is squeezed by increasing costs of production.

Mr. Chairman, any of those things could trigger the western grain stabilization plan and bring it into effect to supplement incomes in western Canada. The basic idea is the establishment of the fund.

The fund is built up from four sources, contributions from producers—they will be asked to contribute 2 per cent of their gross grain receipts per year up to a maximum of 2 per cent on \$25,000. Therefore, a producer in any one year could contribute \$500. That would be the maximum annual contribution. For every dollar that the grain producer puts in, the Government of Canada will put in \$2. The government's commitment is \$2 for every one dollar which the producer puts into the grain stabilization fund. The fund will earn interest whenever it is in a surplus position, and similarly, of course, it will pay interest if it happens to run a deficit. Behind it all, the Government of Canada will guarantee the solvency of the Grain Stabilization Fund.

If in any year the fund has to make a payout in excess of the amount of money which is in the fund, the Government of Canada will make up the difference. That would be in the form of a loan, which the fund would pay back to the government treasury over the following years. The government will be bearing all of the costs of administering the fund and the grain stabilization plan. None of the administrative expenses for the plan will come out of the fund itself.

The producer levy of 2 per cent of gross grain receipts will be deducted automatically at the elevator or at authorized feed mills—that is, those licensed by the Canadian Grain Commission. Producers may voluntarily decide to contribute levies to the fund on sales to certain feed lots and to the seed trade. On their crop insurance benefits, should they have a production failure and have that crop insured, they could contribute voluntarily on the benefit which they receive from the crop insurance plan. The Canadian Wheat Board will automatically make deductions from adjustments and final payments.

Therefore, the producer contributions are by and large automatic deductions which will be made in the normal course of events. In some instances, the producer will have the option, if he so chooses, in order to keep his levy rate up to the maximum possible, to make some voluntary contributions on the incomes which I have mentioned.

The plan will operate on a calendar year basis. Whenever, in the course of a calendar year, a producer's contributions reach that maximum level of \$500, he will be sent an endorsement which he can fit into his Canadian Wheat Board permit book, and that is a signal that no further deductions need be made from his deliveries for that particular year; he has made his maximum contributions, and there is no need to make any further deductions.

If the endorsement is late in getting to him, in the sense that there may be a few weeks' lag between the time he has reached his \$500 maximum and the time the endorsement is made, anything that he has overpaid for a particular year will, of course, be immediately refunded. I should mention too, Mr. Chairman, that all producer levies are tax deductible as a farming expense.

So, that is the establishment of the grain stabilization fund. As I say, it will become available as payments to western producers when they reach what is commonly known, in western Canada, as one of those "bust" years.

I suppose the next question is: What is the definition of a "bust" year?—in which years, of course, the fund will be making payments. The definition of a "bust" year, for the purposes of the grain stabilization plan, is any year in which the net cash flow to the Prairies from grain sales is less than the average net cash flow from the previous five-year period. We calculate what the net cash flow is over a five-year period. We then take a look at the sixth year. If the net cash flow for the sixth year is less than the average for the previous five years, then that, for the purposes of the grain stabilization plan, is a "bust" year and there would be a payment from the grain stabilization fund.

Now, presume that the five-year average works out to be \$500 million and look at the figures for the sixth year, when the cash flow might only be \$400 million, the difference is \$100 million, which is the total amount that would be available for payments to participants in the western grain stabilization plan. This term "net cash flow" is an important one and leads me directly to one of the differences between this plan and the old one of four or five years ago. As I mentioned earlier, this plan takes into consideration the cost of production, which is the very essence of the term "net cash flow". This plan is not based upon gross grain receipts; rather, we take the gross grain receipts level, deduct the cash costs which are associated with the production of that grain, and the difference between the gross receipts and the cash costs is the net cash flow. It is that margin that is being stabilizednot the gross level, but the margin. So you can see that this plan very directly takes cost of production factors into consideration. Just as the net cash flow could be squeezed from time to time by price declines, or soft markets pushing down from the top side, similarly the net cash flow could be squeezed by costs of production eating away at the bottom. Any one of those, or any combination of the three, which squeeze the net cash flow or, really, any other factor which might squeeze the net cash flow in any year, would cause a payment to be made from the grain stabilization fund.

The obvious question, then—once we have the calculation of a "bust" year and the global amount that is available in three months in that year-is, how much does each producer get and what will the individual share be? The answer to that is specified in the legislation, in that each individual producer will participate in any pay-out from the grain stabilization fund in direct proportion to his recent participation in it—that is, recent participation meaning the contributions which he has paid into the grain stabilization fund during the current three-year period, the year of the pay-out and the two years immediately preceding. By defining that term, "three-year period," we, of course, keep the plan up to date and accurate in terms of producer contributions into it. So we will take a look at what one producer has contributed in that three-year period, compared to what all other producers have contributed in that three-year period, and each producer will share proportionately on that basis. If every producer has paid in exactly the same amount in terms of levies, each producer will receive back exactly the same pay-out from the grain stabilization fund. Of course, farms and farmers differ from year to year and from time to time and, naturally, some will be contributing more and some will be contributing less, so their payments will be in direct proportion to their level of participation. That is the real essence of the mechanics of the plan.

I mentioned the difference previously between Bill C-41 and the previous legislation, which is the voluntary nature of this plan. As I mentioned, the earlier bill was criticized for being a compulsory plan, and I think on a personal basis, Mr. Chairman, that was a legitimate complaint. The situation we were dealing with in 1969 or 1970 was as I described, a crisis, and perhaps it made some sense during that early and difficult period to be thinking in terms of a compulsory proposal. However, in the intervening years it has been possible to work in an important voluntary aspect which, in my opinion, makes this plan much more desirable from the point of view of producers. The voluntary nature of the plan is essentially that each producer will have the option in the first three years to decide whether he wishes to participate in the grain stabilization plan. Now, presume for the purposes of this argument that the bill becomes effective in January 1976, then every producer who is in the business of grain farming at that time in western Canada will have the opportunity to opt out of the plan. That opportunity will continue until January 1, 1979, a full three-year period. Any new producer who begins farming some time down the road will have a similar option, three years from the time he begins farming, to decide whether he wishes to participate in the grain stabilization plan, so every producer, whether existing or new, will have the three-year option to consider the plan, to see how it is functioning from their point of view, to see if it fits their operation, and then, using their own good judgment, come to a conclusion as to whether they wish to participate in the plan.

In the initial stage everyone will be included in the plan and the onus will be on the producer to notify the western grain stabilization administration, at their offices in the Canadian Grain Commission Building in Winnipeg, that they do not wish to participate. A simple notification in writing will be the only requirement. Once a producer has opted out, he has the opportunity once to change his mind and to re-enter the plan at any stage after he has

made that initial election to opt out; it will be his right, under the legislation, to opt back in. However, he does not re-enter as a full participant in the initial stages; he comes in as a conditional participant. This particular provision was not included in the bill as originally drafted, but western farm spokesmen rather strongly urged upon the government that this change in the legislation be made in the interests of fairness, so that a producer who has exercised the option, been out of the scheme for a while and then re-enters, does not participate immediately on the same basis as a producer who has been in from the beginning and, if you like, has toughed it out through the good years and the bad years of the grain stabilization fund. When I say he re-enters as a conditional producer after exercising an option to leave the plan for a while, I mean that he will be subject to a ten per cent penalty on any payment which is made from the stabilization fund in the first three years of his renewed participation. If there happened to be a payment in the first three years in which he is back in participation, he would receive only 90 per cent of the entitlement had he been participating in the fund from the very outset. That is the conditional nature of his participation and after the three years he becomes a full-scale participant once more.

One final comment is with respect to the voluntary aspect, Mr. Chairman, having to do with the mechanics of opting out in the first three years; and, as I said, that is simply done by notifying the western grain stabilization administration in Winnipeg of a producer's desire to opt out. If a producer opts out during the first of his three optional years, all levies paid by him during that year will be returned to him and he will not share in any pay-out from the stabilization fund, should there be one; he has no interest in the fund and everything that he has paid in will be returned to him. If he opts out during the second or third of those years, he will have his levies returned to him—that is, those levies that he contributed during the year in which he opted out, and any levies paid prior to that calendar year will be retained by the fund. Similarly, he will retain his right to participate in any grain stabilization pay-out that there might be, proportionate on the basis of the interest which he has remaining in the fund.

Retirement or sale is a question, Mr. Chairman, raised by a number of producers during my discussions across the west with respect to this bill. I think it is important to clarify this, particularly with respect to older farmers who may be nearing the time at which they will wish to retire or sell their farm operation. Essentially they will have two alternatives. On the one hand they will have the right to sell a fully paid-up interest in the western grain stabilization plan. That should really become an item or asset of considerable value with respect to valuing a farm operation, and is a legal interest assignable in law. If a producer wishes to sell his interest in the grain stabilization plan to his son, or whoever is buying his farming operation, he simply makes a legal assignment and the transfer is accomplished as simply as that.

It is an item of value that should enhance the value of the farming operation when it is sold. On the other hand, the farmer could decide to retain the benefit for himself; that is his option. Even though he is no longer farming, in the year in which he makes his last contribution to the fund and for the two years following that he would be entitled to any pay-out from the fund, should there be one in those years. So he has the right to retain the benefit or to sell it or assign it, in law.

The Chairman: Does he get any money if he decides to keep it?

Mr. Goodale: If he decided to keep it, he would not receive a pay-out unless there was a pay-out generally, and he would participate to the extent of his proportionate share in the fund.

Also, of course, I suppose in terms of a father-and-son operation, the option that makes more sense is really to sell that asset to your son so that when he takes over the operation, rather than having to buy his way in and be sort of a one-third participant in one year, then two-thirds and then wait until the third year before he purchases the whole of it, he can purchase his father's interest and be fully paid up. That probably is the approach that makes more sense.

A number of questions have been raised about the plan in relation to crop insurance programs, and I know some who have been very interested in crop insurance plans in Western Canada. I think that perhaps some honourable senators have been concerned about this particular matter. They are wondering if the grain stabilization plan may undercut or contradict or in some way impair crop insurance programs as they have been functioning in Western Canada. The answer is clearly and categorically, no Mr. Chairman, and I know that Mr. Lang and all of us who have discussed this piece of legislation have taken every opportunity we can to emphasize that the grain stabilization plan will not eliminate the need for crop insurance.

The crop insurance programs in Western Canada are disaster insurance programs to cover a situation where because of physical problems—drought or frost, hail or whatever—the farmer simply does not produce a crop; he has a physical production failure. That is what crop insurance is designed to compensate for. On the other hand, the grain stabilization plan deals with the situation where a farmer may have all the grain in the world but cannot sell it, or cannot sell it at a decent price, or is suffering from rapidly escalating costs of production.

Those things are outside the scope of the crop insurance plan. They are not covered by the crop insurance programs which are in operation across the country, and they are not the kinds of things that could be conveniently brought within the scope of crop insurance.

So stabilization and crop insurance complement each other. They deal with different problems, and producers will have to continue to make their own decisions about whether or not they will want to participate in the crop insurance programs; and similarly they will be able, under the grain stabilization plan, to exercise their initial three-year option in deciding whether or not they want to participate in the grain stabilization program.

As I mentioned earlier, this is a demonstration of how the two plans are deliberately designed to be complementary and not to contradict each other. If a producer suffers a crop failure and receives crop insurance benefit for that failure, he may voluntarily contribute the 2 per cent on the crop insurance benefit, so that his crop failure does not, through any fault of his own, reduce his level of participation in the grain stabilization fund. He can voluntarily contribute 2 per cent on the benefit he received back from crop insurance. The legislation is designed to dovetail.

One final point, Mr. Chairman, is that there is an interesting feature in the bill which I think is good and which will help to improve the operation of the plan as time goes by. I refer to the establishment of a five-member producer advisory committee, which has a complete mandate to look at everything in the legislation, everything in the regulations, and the operation and administration of the program.

The minister, I know, will be looking to the advice of this group to iron out any wrinkles there may be in the program to try to make its functioning as smooth and as effective as possible. The legislation specifically requests that the advisory committee of producers look at a couple of things—they have a mandate to look at everything—such as the level of interest rates either paid to or charged against the stabilization fund, and the maximum participation level of 2 per cent on \$25,000. The argument has been made that the \$25,000 is too low, that it should be \$35,000 or \$45,000, and some have suggested \$50,000. We will be looking to the advice of the advisory committee on whether that particular level is low in terms of the present farm sizes and grain prices, and whether it should be increased.

Mr. Chairman, at the beginning you indicated that I should perhaps try to deal in advance with some of the standard types of inquiries that come forward about the grain stabilization plan. There are four about which I have been asked at just about every meeting I have attended. I might just mention them and ask honourable senators if they would like some elaboration on them. If you would rather pursue the questions directly, I will be glad to reply.

The four areas that normally require some elaboration have to do with the regionalizing the plan. The plan is on a global Prairie basis, as it is designed at the moment. The argument has been put forward that we should look at the question of regionalizing it, breaking it down into smaller regions. The argument has been put forward, particularly in the Commons by members of the Opposition, promoting an idea of individualizing the plan—that is, bringing it down to the basis of an individual plan for each individual producer. That may need some comment.

The third question has to do with the matter of depreciation. Depreciation is not specifically listed as an item of expense in calculating the cost of production in the stabilization plan. There is a sound, logical explanation for that. It is one that I would be pleased to offer honourable senators this morning if they would like some elaboration on that point.

The fourth question has to do with the cost of administering the stabilization plan. The suggestion has been made that it is a fairly complex and complicated plan that will require a veritable army, in terms of the bureaucracy, to administer it. That is clearly not so. Perhaps elaboration may be needed on the matter of the cost of administering the plan and the kind of expense involved there.

Those are the questions most frequently asked, Mr. Chairman, and I will be pleased to deal with those or

others if honourable senators wish to put their questions. Thank you very much for your kind attention.

Senator McGrand: Which grains does that cover—all grains?

Mr. Goodale: It covers the six major grains in Western Canada: wheat, barley, oats, flax, rapeseed and rye. There is provision in the bill to have that list expanded as any other grain becomes significant.

Senator McGrand: There is no question of it covering Soya beans?

Mr. Goodale: No, not at this time, because in Western terms, it is not a significant item. I am not sure if it applies to any area in the Prairies, except to a certain extent in Southern Manitoba. Rapeseed is included.

The Chairman: That is our oil-bearing crop.

Senator Inman: What other grains are there in Western Canada?

Mr. Goodale: Right at the moment the six major ones are really the only significant crops. Mustard is beginning to be a more interesting crop lately; it is getting more attention in the West. In the constituency which Senator Argue and I share there is a new development around the town of Bengough in connection with sunflower seeds. That is a new one that has not developed to a broad stage.

Senator Inman: I saw large stands of sunflowers at one time when I was in the West. I wondered to what extent that crop was coming along.

Mr. Goodale: It is still very much in the fledgeling stage. We wish that operation and others well in terms of diversifying the number of crops that are available. At this stage I think it is fair to state that all significant production is in the six major grains.

Senator McGrand: The farmer pays \$1 and the government puts in \$2; is that right?

Mr. Goodale: That is right.

Senator McGrand: Why does the government put in \$2? I was under the impression that in most sharing programs they put in an equal amount.

Mr. Goodale: I think it is recognition of the severity of the problem, the importance of the problem. Perhaps on the basis of one to one, there would not be contributed a sufficient amount to eliminate the kind of problem with which we have been faced. The commitment is no doubt very significant from the point of view of the federal treasury.

Senator McGrand: I do not object to it.

Mr. Goodale: For last year, just to put a figure on it, had the plan been in place—and this involves some presumptions about participation and crop volumes, prices, and this sort of thing—the federal payment into the stabilization fund would have been something in the order of \$90 million.

The Chairman: And grain producers are not eligible for unemployment insurance, unlike certain fishermen,

and others. In a sense, one might say that the government is standing in for both its own contribution and what might normally be the employer's contribution to an unemployment fund.

In what way is the pay-out to the farmer related to his individual contribution, or to his money in the fund? Is there any relationship at all in that respect?

Mr. Goodale: Yes, his payment in any one year will be directly related to the levies which he has paid into the fund in the year of that pay-out, plus the two years immediately preceding the pay-out.

The Chairman: But he could get more money than he has to his credit in the fund?

Mr. Goodale: Yes. Presuming, for example, the fund should make an initial pay-out for the first year, if the situation was severe enough no producer would have a sufficient amount in the fund to cover the costs. Under those circumstances, clearly every producer would be getting back more than he had paid in.

I do not have the figures immediately available, Mr. Chairman, but the experience over the past 20 years has demonstrated clearly that the producer will receive in terms of pay-outs a great deal more than he pays into the fund. Depending on whose figures you are using and what the calculation is, the ratio is probably two or three to one.

The Chairman: Once the producer becomes a participant in the fund, the pay-out does not depend in any way, shape or form on the precise amount to the credit of that particular farmer? It is a generalized thing, is it not? Once his own contribution has been exhausted, he can still receive benefits? He would not be obliged, would he, on quitting farming, to repay any deficit that he might have?

Mr. Goodale: No. This leads directly to the question of individualization which I mentioned a few moments earlier. The argument has been made to us that the plan really would be more acceptable if it were done on an individual basis; that is, that a separate account be kept for each farmer and the farmer could draw only upon what is in his individual account.

Perhaps I should draw a distinction here between "individualization" and "individualization." We have some who argue that individualization really should be a guaranteed income type of proposal, which is really much different from a grain stabilization plan. It is a much broader social measure, and some of the New Democratic Party spokesmen who appeared before us in Western Canada made that argument. What they were proposing is really something quite different from a western grain stabilization plan. What they were proposing was a social policy, and something that really gets away from the intent of this legislation.

Also, if the plan were to be as all-encompassing and, I might say, all-consuming, as that proposal would have it, I suspect that the net result would be very quickly a system of greater production controls and greater regimentation of grain production in Western Canada.

That is individualization on the one side. On the other side, we have a proposal that is promoted by some Conservative members in the House of Commons, and that

proposal argues that an individual account should be kept for each farmer and the farmer should be able to draw upon that account, and that account only. Obviously, therefore, there would be no back-up government guarantee, as there is in Bill C-41. The net result of that proposal would be to reduce the level of protection to the producers. Once a producer has taken one pay-out from the stabilization plan, should he happen to have two bad years in a row, he might find the fund exhausted in terms of what he, as an individual, has to his credit in the western grain stabilization fund.

So, there are problems with individualization. On the one hand, I think it implies a greater regimentation of agriculture; on the other, it implies a lesser degree of protection than is available under Bill C-41 as it is presently drafted. Under either of those two concepts, I do not believe I could support individualization as it is defined in those ways.

Senator Norrie: Mr. Goodale, what would happen if there were bumper crops year after year, with a resulting glut on the market? Under those circumstances, it would be very difficult to get rid of crops.

Mr. Goodale: The situation which you are describing, senator, is one with which we are fairly familiar. That is precisely the situation with which we were faced in the period from 1968 to 1971. World markets were very soft. The price for grain slipped below \$2, and down pretty close to \$1.50, and in returns to producers, once you calculated it back to the farm gate, perhaps even lower than that. That was the very situation that prompted the development of this particular piece of legislation. The situation is really one where the western grain stabilization plan would come into play and make pay-outs as required.

Senator Norrie: But how long could that go on?

Mr. Goodale: I suppose that is a matter of deciding when we have a grain problem and when we have a greater economic problem. If, for example, we were faced with a period of time when grain prices were just skidding downward and downward, year after year after year, I think that would probably be a pretty clear message to Canada about conditions in world grain markets that we really should not ignore and that we should make some more fundamental adjustments within Canada that a grain stabilization bill in itself could not do. Such adjustments would require broader policy initiatives of a much different kind.

The most severe period in recent memory was the period from 1968 to 1971. I have some figures for that period that might be of interest to members of the committee. If we assume that the western grain stabilization plan had come into effect in 1965, and had been in effect for the last 10 years, there would have been pay-outs for the four bad years of 1968, 1969, 1970 and 1971. Based upon the average-sized farming operation in Saskatchewan, to give you some idea of the magnitude of the pay-outs that would have been made to grain producers from the western grain stabilization plan, in 1968 the average-sized producer in the black soil zone of Saskatchewan would have received from the western grain stabilization plan something in the order of \$1,900; in 1969, he would

have received \$4,400; in 1970, \$4,100; in 1971, \$800 for a total in excess of \$10,000. That was the severest period we have had in recent memory.

The indications are that if the plan had started in 1965 and had been functioning since that time, it would not have caused a great actuarial problem, in terms of solvency of the fund. Indeed, going back 20 years, which is the period we have projected the plan backwards, just to see how it would have functioned in those 20 years, there were some years when we had to make adjustments in terms of the levy rates—which are provided for in the legislation—either upward or downward, depending on whether we are getting an inordinate surplus or getting an inordinate deficit in the fund.

The plan also provides that if the deficit position continues over an extended period of time, the level of guarantee can be reduced from 100 per cent of the previous five-year average to 90 per cent of the previous five-year average. We have only been close to that situation once in the last 20 years.

Therefore, testing the mechanics of the plan, over the experience we have had since about 1950, it is pretty clear that the actuarial safeguards do work effectively but are not called upon to work very often. However, they are there in the legislation in case we need them.

Senator Norrie: During that period, you would not have to order them to refrain from planting such a large acreage?

Mr. Goodale: No.

Senator Norrie: They can produce as much as they wish?

Mr. Goodale: That is true. If we got to the situation where we got back to \$1.50 wheat, Mr. Chairman, and had to press markets for repeated years—that is probably a pretty important economic signal to western grain producers and to Canada generally—we would have a severe problem that, quite frankly, this legislation probably could not deal with.

That is a problem that goes beyond instability, it is a problem of collapse, in those terms.

The Chairman: Supposing you had 10 low and fairly even bad years, incomewise, the last few years you would be getting next to nothing. Is that correct or am I wrong? I am really just asking that question.

Mr. Goodale: Well, if you had 10 relatively low years-

The Chairman: Yes, bad years from an income point of view, without much fluctuation and you just went down to a very low level and stayed there for 10 years, what would happen then?

Mr. Goodale: The mechanics of the plan would work through that situation and would not boost the level of income artificially from that level.

The Chairman: Would you be getting quite a lot of payments in the eighth year, when you average back over five years that are not really bad?

Mr. Goodale: As the five-year average works in, of course, your level of average protection could decline.

The Chairman: I am not suggesting you are going to have one, but if you had one, the way it works out in those last few years, there is very little protection. This is protection in valleys that are not extended over too many years. If you got three bad years in a row, and started to pick up again, it is pretty good protection.

Mr. Goodale: That is true. Our historical experience has indicated that is what we do have.

The Chairman: For the last 20 years.

Mr. Goodale: Things go up and down pretty erratically. Of course, it would smooth the period of decline and support grain incomes during that particular time.

The Chairman: Did I correctly understand the example? Maybe I am not correct in this. If you had \$500 million as a net cash flow in a given year, or a number of years, and then it dropped down to \$400 million, would the pay-out be exactly \$100 million?

Mr. Goodale: Yes, that is right. If the average net cash flow is \$500 million and in the sixth year the figure only works out to \$400 million, there is a payment of the full amount to bring it back up to the level of the previous five years. There is one safeguard provision which is, if the decline in the sixth year is a decline of less than one per cent there is not a pay-out for just one per cent.

The Chairman: Would you give us, in some detail, the expenses that are considered in arriving at the cash flow, and what are in fact the expenses?

Mr. Goodale: The cash costs of production, as defined in the legislation, include such items as property taxes, fertilizers, seed, pesticides, irrigation expenditures, the operation of farm machinery, hydro and telephone expenses relating to grain—I suppose if you phone your MP or a senator asking about the grain stabilization plan, that amounts to a telephone expense relating to grain. Also included are insurance premiums, hired labour, custom work, the maintenance of farm machinery and buildings. Those are the items which are enumerated as the cash costs.

The Chairman: I would have thought it would be expenses and not depreciation.

Mr. Goodale: Yes. Perhaps, Mr. Chairman, it might be useful to make a comment about depreciation. It is an item that is first and foremost in the minds of farmers when you talk about costs. There is generally a question raised about why depreciation is not included.

First of all, there is a theoretical explanation as to why it is not there. Expenditures on farm machinery are expenditures which are not so much year-by-year, operational expenses or cash costs, but are more in the nature of investments. They are not an investment in the nature of buying land. They are a longer term expenditure than simply buying fertilizer for one year, or buying, or repair, or whatever. It is a kind of intermediate expense more in the nature of an investment than a cash cost.

Producers make their investment decisions based upon the level of net cash flow. If you were to use depreciation in the calculation of what the net cash flow is, I think you would be catching yourself in a bit of a circular problem from a theoretical point of view. You would be using the answer to your question to define what the question was in the first place. Therefore, I say, there is a theoretical problem in terms of including depreciation.

There is also a very practical problem. Not only is it difficult to calculate, but presuming that you could come up with a method of calculation that was reasonable and mathematically sound, I suppose there would be two ways that you could take depreciation into consideration. On the one hand, you could simply take a rough by-guessand-by-gosh estimate of what the major expenditures for machinery and equipment were in any one year, average it out, and just plug that figure into the formula without any particular concern for it being precisely accurate to the penny. You would work out a running average of depreciation.

The problem with that method is that you do not really change the calculations in the stabilization fund. You would add that figure to your net cash flow calculation for the five years. You would add exactly the same figure to the net cash flow calculations in the sixth year and you would be substracting the one side from the other. The net result would be the same. It is like taking the calculation of four minus two and the result is two. If you take five minus three, after adding one to both sides, the result is still two. Therefore in terms of pay-out, with reference to the size of net cash flow, you have not changed the mathematics at all—that is, if you use this across-the-board average approach. The other approach, of course, would be every year to try to ascertain the precise figure for depreciation and add it in. The difficulty with that is it distorts the movement of net cash flow.

As I said before, producers make their investment decisions, or their major purchases of equipment, in years where the net cash flow is strong. When things look good and the flow of income is good and they have a good income position, they may therefore decide to make those major expenditures, which they have perhaps been holding off making for some time.

That is the very year when they do not need an additional expenditure in terms of the plan. They would be adding what is an artificial cost into the calculation of net cash flow and perhaps squeezing it artificially, and even in some years prompting a payment from the stabilization fund. In the very year when net cash flow is at its broadest, that is a time when they do not need that kind of expense. Similarly, producers do not make investment decisions for major equipment in the years when net cash flow is bad. That is when they could really use an additional expense to pinch the net cash flow a little bit more, and prompt a payout. Therefore, what you would have is a major expense in the year you do not

need it and you would not have it in the year when you do need it. The net result could be, and likely would be, a distortion of the net cash flow pattern and a lower level of protection for producers under the plan.

The Chairman: Did you mention that interest is included, or is interest not included?

Mr. Goodale: Short- and medium-term interest are taken into consideration; any of the items, which I have enumerated as expenses, that involve an interest charge.

The Chairman: That does not include your farm corporation interest charge?

Mr. Goodale: No. That is an expenditure related to land that is not taken into consideration.

The Chairman: Unfortunately, Mr. Goodale, we are running out of time. I might be able to receive a further question or two from the committee, if there are any further questions. Is there anything else? All right, thank you.

On behalf of the committee, Mr. Goodale, I thank you for coming here. I am sure you have been of help to us. I do not know when we will ask you to attend again.

Supposing—theoretically, now—this went through by February 15, would it be as operative as if it went through now or January 15, in terms of the end result?

Mr. Goodale: It makes the administration considerably more cumbersome if we have to work on a retroactive basis. However, as long as it is not pushed too far into the new year it would be satisfactory.

The Chairman: Yes; I know you were hoping to get it in 1975 at one point, which indicates you had the intention of making it retroactive for either six or eight months. I am not sure what the situation might have been. So, although it is important to have it passed as quickly as possible, there is no day-to-day urgency attached to it?

Mr. Goodale: I think that is true, as long as we are not pushed too far into the new year.

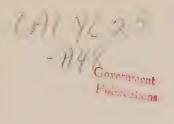
The Chairman: We always have a difficulty in the Senate because we like to do a job and take, I think I am fair in saying, a reasonable amount of time to do a reasonable job so that it cannot be said that we are simply rubber-stamping legislation. On the other hand, we do not wish to adversely affect it nor hold it up unduly. However, we like to think that we are considering it in a reasonable manner. When the House of Commons takes two years and we take two weeks, we do not feel that we are engaging in a filibuster!

The Committee adjourned.









FIRST SESSION—THIRTIETH PARLIAMENT
1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 27

WEDNESDAY, DECEMBER 17, 1975

Complete Proceedings on:

The amendments made by the House of Commons to Bill S-10, intituled: "An Act to amend the Feeds Act"

REPORT OF THE COMMITTEE



THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue Blois Côté *Flynn Fournier (Restigouche-Gloucester Molgat Greene Haig . Hays Inman Lafond Macdonald

McElman McGrand McNamara Michaud Norrie *Perrault Sparrow Williams Yuzyk—(22).

McDonald

*Ex officio members

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, December 16, 1975;

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Langlois, seconded by the Honourable Senator Hayden, for concurrence in the amendments made by the House of Commons to the Bill S-10, intituled: "An Act to amend the Feeds Act".

After debate,

In amendment, the Honourable Senator Argue moved, seconded by the Honourable Senator Greene, P.C., that the amendments be not now concurred in but that they be referred to the Standing Senate Committee on Agriculture.

After debate, and—
The question being put on the motion, in amendment, it was—

Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Wednesday, December 17, 1975

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 3:00 p.m.

SUBJECT: Consideration of amendments made by the House of Commons to Bill S-10: "An Act to amend the Feed Act", as follows:—

- 1. Page 1, lines 20 and 21. Strike out lines 20 and 21 and substitute the following therefor:
 - "(c) for the purpose of preventing or correcting nutritional disorders of livestock;"
- 2. Page 3, line 6. Strike out line 6 and substitute the following therefor:
 - "10. (1) Every person who"
- 3. Page 3, lines 18 to 30. Strike out lines 18 to 30 and substitute the following therefor:
 - "(1.1) Where a corporation commits an offence under this Act or the regulations, any director or officer of the corporation who authorizes or acquiesces in the offence or fails to exercise due diligence to prevent its commission is guilty of an offence and liable to the punishment provided for in subsection (1)."

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Greene, Hays, Inman, Lafond, MacDonald, Mcdonald, Norrie and Sparrow. (10)

In attendance: Mr. R. L. du Plessis, Acting Law Clerk and Parliamentary Counsel, and Mr. G. Faggiolo, lawyer in the Research Branch of the Library of Parliament.

Following discussion, the Honourable Senator Inman moved concurrence in the first amendment made by the House of Commons to the said Bill.

The question being put,

The motion was declared carried.

The Honourable Senator Macdonald moved concurrence in the second amendment made by the House of Commons to the said bill.

The question being put,

The motion was declared carried.

The Honourable Senator McDonald moved that the third amendment made by the House of Commons to the said Bill be amended as follows:—

Strike out the third amendment and substitute therefor:

"3. Page 3, lines 7 to 30. Strike out lines 7 to 30 and substitute the following therefor:

'contravenes any provision of this Act or the regulations is guilty of an offence and,

- (a) if an individual, is liable
- (i) on summary conviction, to a fine not exceeding five hundred dollars or to imprisonment for a term not exceeding six months, or to both, or
- (ii) on conviction upon indictment, to a fine not exceeding two thousand dollars or to imprisonment for a term not exceeding one year, or to both; or
- (b) if a corporation, is liable
 - (i) on summary conviction, to a fine not exceeding one thousand dollars, or
 - (ii) on conviction upon indictment to a fine in the discretion of the court.
- (1.1) Where a corporation commits an offence under this Act or the regulations, any director or officer of the corporation who authorizes or acquiesces in the offence or fails to exercise due diligence to prevent its commission is guilty of an offence and liable to the punishment provided for in subsection (1)."

The question being put,

The motion was declared carried.

Following further discussion, it was Resolved to report recommending concurrence in two of the amendments made by the House of Commons to the said Bill and incorporating therein the amendment made by the Committee.

At 3:35 p.m., the Committee adjourned to the call of the Chairman. $\,$

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Report of the Committee

Thursday, December 18, 1975.

The Standing Senate Committee on Agriculture, to which were referred the amendments made by the House of Commons to Bill S-10, intituled: "An Act to amend the Feeds Act" has, in obedience to the order of reference of Tuesday, December 16, 1975, examined the said amendments and now reports as follows:

Your Committee recommends that the amendments be concurred in with the exception of the third amendment, which it proposes be amended as follows:

Strike out the third amendment and substitute therefor:

"3. Strike out lines 7 to 30, inclusive, on page 3 and substitute therefore the following:

'contravenes any provision of this Act or the regulations is guilty of an offence and,

- (a) If an individual, is liable
 - (i) on summary conviction, to a fine not exceeding five hundred dollars or to imprisonment for a term not exceeding six months, or to both; or
 - (ii) on conviction upon indictment, to a fine not exceeding two thousand dollars or to imprisonment for a term not exceeding one year, or to both;
- (b) If a corporation, is liable
 - (i) on summary conviction, to a fine not exceeding one thousand dollars, or
 - (ii) on conviction upon indictment, to a fine in the discretion of the court."
- (1.1) Where a corporation commits an offence under this Act or the regulations, any director or officer of the corporation who authorizes or acquiesces in the offence of fails to exercise due diligence to prevent its commission is guilty of an offence and liable to the punishment provided for in subsection (1)."

Respectfully submitted

Hazen Argue, Chairman.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Wednesday, December 17, 1975

The Standing Senate Committee on Agriculture, to which was referred Bill S-10, to amend the Feeds Act, met this day at 3:00 p.m. to give further consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, I hope you all have before you a copy of Bill C-10 as reported back to the Senate from the House of Commons. I am informed that the procedure which we should follow this afternoon is to go over the items listed in the *Votes and Proceedings* of the House of Commons, No. 207, of November 19, 1975, relating to the amendments made to Bill S-10. We should deal with them one at a time. I have my own opinions as to how we may deal with them. In any event, we should go through them in that order.

I should say that we are delighted to have with us today Mr. R. L. du Plessis, Acting Assistant Law Clerk and Parliamentary Counsel of the Senate. With him is Mr. G. Faggiolo, a lawyer in the Research Branch of the House of Commons. I have imposed on both of them a good deal during the last number of days in order to obtain the benefit of their advice. Being slow at learning and not learned in the law at all, I have not been a very good pupil, but I have tried hard and we have arrived at the point where we have some points to discuss with you this afternoon.

The first admendment with which we should deal is that to section 2, of the act, paragraph (c), at lines 18 and 19 page 1 of the bill, relating to preventing or correcting nutritional disorders. The amendment deleted a reference to "biological functions", and I understand the reason was that it was not desired that the act should control veterinarians in their prescriptions and so forth. This amendment received unanimous approval in the other place and I see nothing wrong with it. Could we have a motion to concur in it?

Senator Inman: I move that we concur in that amendment.

Hon. Senators: Agreed.

The Chairman: The next amendment is that to which I feel we should pay particular attention today. A further amendment from the House of Commons which we will be considering changes our original proposal, which they said was contrary to the Bill of Rights. In my opinion, there are some advantages in the amendment in the form in which it was sent to us. However, the one to which we should now direct our attention is that to section 10 (1), which reads as follows:

Every person who contravenes any provision of this Act or the regulations is guilty of an offence and, is liable

- (a) on summary conviction, to a fine not exceeding five hundred dollars or to imprisonment for a term not exceeding six months, or to both; or
- (b) on conviction upon indictment, to a fine not exceeding two thousand dollars or to imprisonment for a term not exceeding one year...

You will recall that in our original bill we had "natural person." It was decided in the House of Commons that this really was not necessary and that "person" would provide for both. However, in making their amendments they deleted the penalty contained in the original bill, which read:

(1.1) Every corporation that contravenes any provision of this Act or the Regulations is guilty of an indictable offence.

The effect of the amendment is to limit to \$2,000 the fine that may be levied against a corporation found guilty of an indictable offence. It seemed to me that it was not the wish of the Senate that this small fine should be attached to corporations. Therefore, we have had the bill referred to us again, and we now have the job of considering whether we are satisfied with the bill from the House of Commons as it is before us or feel that there should be an amendment which would, perhaps, restore for corporations found guilty of an indictable offence a fine in the discretion of the court.

A number of problems may be mentioned in this regard. One which comes to mind is that if we were to report such an amendment, what would be the effect in the House of Commons with respect to any possible delay? Although that does not form part of our deliberations, in my opinion it is important.

Senator Forsey is present and will correct me in case I err in the following report. I learned today, through the advice of the Clerk of the House of Commons, that when that house received a message from the Senate the Speaker there does not interrupt the member of Parliament who has the floor but waits until the speech is concluded. He then informs the members of the house of the message from the Senate. The message is then printed in the Votes and Proceedings of that day, and one day later, when the House of Commons sits, the message from the Senate is a Government Order, which may be called by the government on that day, if it so wishes. I have checked the length of debate that has taken place during recent years with respect to amendments from the Senate, and I would say that on the average it takes approximately one-half to one page of their Hansard. I asked Mr. Maingot this morning, as I was walking up with him to the Centre Block, as to recent conferences with respect to amendments on which the Senate and House of Commons could not agree and he informed me that that has not happened for many years. Therefore, with the advice of the Law Clerk of the Senate we have prepared an amendment which would place in this bill approximately the same provision as appears in the Canada Grain Act, which would once again separate the penalty for an individual person from that of a corporation. Perhaps I should ask Mr. du Plessis to explain the effect of the draft amendment, which is now before you. In any event, it is taken, not quite but almost verbatim from the Canada Grain Act.

Mr. R. L. du Plessis, Acting Assistant Law Clerk and Parliamentary Counsel: In effect, the draft amendment before you provides for a different penalty for an individual who is found guilty of an offence under the act from the penalty that is provided for a corporation. In other words, there would be two separate provisions, one for individuals and one for corporations in regard to the maximum penalty to be imposed. Perhaps the best course would be for me to read it, as it is self-explanatory. It reads as follows:

Every person who contravenes any provisions of this Act or the regulations is guilty of an offence and,

- (a) if an individual, is liable
 - (i) on summary conviction, to a fine not exceeding five hundred dollars or to imprisonment for a term not exceeding six months, or to both, or
 - (ii) on conviction upon indictment, to a fine not exceeding two thousand dollars or to imprisonment for a term not exceeding one year, or to both; or
- (b) if a corporation, is liable
 - (i) on summary conviction, to a fine not exceeding one thousand dollars, or
 - (ii) on conviction upon indictment, to a fine in the discretion of the court.

So this specifies clearly what the maximum penalties will be in the case of either an individual or a coproration found guilty of an offence under the act. It spells out in clear terms just what the penalties will be in each case.

Senator Greene: Do we fall foul of the Interpretation Act in any way? Will complications arise, because, as I understand it, the Interpretation Act provides that a "person" includes a corporation and we are now *de facto* redefining that basic premise by your proposed amendment?

Mr. du Plessis: No, we are not really redefining it, but specifying what will happen in the particular circumstances in which a person or a corporation is found guilty, but we use the same wording at the beginning of the amendment, namely "every person". Then the particular penalties are specified in the subparagraphs that follow, and there is no contradiction of the Interpretation Act.

Senator Greene: You do not think some shyster lawyer can get around it by saying a "person" is a person under the Interpretation Act and there could be a different penalty for one type of "person", a corporate person, from that for the other type of "person," the individual?

Mr. du Plessis: We are on good legal and legislative grounds in that respect.

Senator Forsey: Mr. Chairman, do I understand that this phrasing is used already in the Canada Grain Act?

The Chairman: Yes, senator. The only basic difference is that in the case of a conviction of a corporation on

indictment a limit on the fine was imposed. In every other detail, it is precisely the same.

Senator Forsey: But they did differentiate in that between a natural person and a corporation.

The Chairman: That is right. Section 89 of the Canada Grain Act reads as follows:

- 89. (1) Every operator of an elevator who violates or fails to comply with section 59 is guilty of an offence and.
- (a) if an individual, is liable . . .

And (b):

(b) if a corporation, is liable . . .

Are there any other comments or questions?

Senator Lafond: Mr. Chairman, I am in agreement with the substance of the proposed amendment. However, in view of the time of year and the efforts that we should make to avoid ruffling feathers, it seems to me that the word "disagrees" in the text of the motion is a little blunt.

We have to think in terms of how this is going to be received in the other place. Perhaps we could say we cannot accept, or find it difficult to accept, the amendments made by the other place to clause 3 of the bill. It seems to me that the word "disagrees" is too blunt, too stark

Mr. du Plessis: We could say, "that the committee recommends that the Senate do not concur in the amendments". It is the Senate that will be asked to concur or not concur. The committee, perhaps, could recommend that the Senate not concur in the amendments.

The Chairman: It will read, then:

... that the committee does not concur in the amendments made by the House of Commons to clause 3 of Bill S-10 and recommends that the following be substituted therefor:

Senator Forsey: Would you mind repeating that, Mr. Chairman? Isn't it, "that the committee recommends that the Senate do not concur"—or did I hear it wrong? I am not sure. I thought counsel said that it should read, "that the Senate do not concur".

Mr. du Plessis: We could say:

that the committee recommends that the Senate do not concur in the amendments made by the House of Commons...

The Chairman: Is there any other discussion on this point?

Senator Greene: I take it we are leaving section 10(1.1) as is.

The Chairman: We will deal with that when we come to it, Senator Greene, but the inclination now is to leave it as is. It is not quite as powerful as the one you suggested, but it does cover a broader area.

Senator Greene: Presuming, as I do, that we are leaving it in, I take it that means that the chief executive officer of Purina, say, even if he can be proved to have been remiss, can only incur the maximum penalty to the individual?

Mr. du Plessis: Yes, that is correct.

Senator Greene: Maybe that is the best we can do. It is an imperfect house. I would put him in jail.

The Chairman: We have had some discussion on this. Would somebody care to make that motion?

Senator Macdonald: I so move, Mr. Chairman.

The Chairman: It is moved by Senator Macdonald, seconded by Senator Lafond, that the proposed amendment be adopted.

All those in favour, please indicate by a show of hands. All those opposed? On a show of hands, I declare the amendment carried.

Mr. du Plessis: I wonder if I might come back to the question asked by Senator Greene, Mr. Chairman, regarding an individual who is found to be remiss. If an individual...

Senator Greene: It is a weasel section to begin with, if I may say so, because it puts the onus on the wrong side. The individual has to be proven remiss, but he is the one with all of the books and the facts and figures.

My original thought was that we should shift the onus to the individual to prove that he was not remiss; otherwise he would be presumed guilty. However, the Attorney General, in his wisdom, found that to be contrary to the Bill of Rights, as he has every right to do. I have every right to disagree with him. Nevertheless, he has the last say.

Mr. du Plessis: With respect to the amendment that the committee is considering at the moment, the chief executive officer, or any other officer or director of the corporation who is found guilty of an offence under subsection 10(1.1), would be subject to the penalty that is provided in this amendment in respect of individuals, and that does include imprisonment, whether the action is proceeded with by way of summary conviction or by way of indictment. In either case, the penalty section provides for a fine and it also provides for imprisonment. I thought perhaps this would answer your question regarding the maximum penalty that an officer of a company can incur under the present wording of subsection (1.1).

Senator Greene: So, I will have to go along with it, for reasons well stated—that is, that half a loaf is better than none, and that is all we are going to get.

I am always very disturbed by the sensitivity of the law officers of the crown as to the niceties of the corporate fiction. We went into this very carefully earlier. I think I made my point to Mr. Thorson. Quite obviously, he was more concerned with the basic premise which is included in the Bill of Rights and which, vis-à-vis the individual, we would all agree with.

I hope that at some stage Parliament will do a much better job of preventing corporate officers from hiding behind the corporate fiction in doing all sorts of nefarious acts.

The pro bono lawyers in Washington have been successful in piercing this façade. We do not have such a group as pro bono lawyers, so it is up to Parliament to accomplish this end, and Parliament is being very timid and timorous.

Mr. du Plessis: I think in one respect we are not being that timid, and that is in respect of the (b)(ii) part of the proposed amendment, which reads:

on conviction upon indictment, to a fine in the discretion of the court.

I think it should be pointed out that in this amendment there is no limit to the penalty. This could be considered by many to be a rather harsh provision, particularly if one looks at it in terms of the one-man corporation. It literally leaves that man in the hands of the court. A person in that situation could be subject to quite a large fine, a fine that might cause him to go into bankruptcy. I think that is one aspect that the committee should bear in mind in considering this amendment.

Senator Greene: Of course, he is not the one who hides behind the corporate fiction to do nefarious acts, as the drug industry has done in the United States by allowing lethal drugs to reach the consumer market and then saying, "It wasn't me; it was the corporation!"

The Chairman: On that point, I think we are all right. I have been referred to the case of Regina v. Gayle Air Limited and Belluz. It is a Manitoba case. In that case the pilot was convicted, and the pilot, really, was the one-man corporation that owned the airline. In sentencing the accused the judge did not do damage to this concept. He stated:

And in convicting both defendants, I feel that Gayle Air Limited and the accused David George Bernard Belluz are practically one and the same person, so that any penalty which I impose will be imposed as if it were against one accused, although it may be imposed against each on a proportionate basis.

My own view is that we can trust our courts and we can trust the judges. If a judge has before him a farmer who is incorporated and has a corporation in the feed business, he is certainly not going to do anything, under our proposed amendment, to put that farmer out of business. It does, however, give the judge, when dealing with a large corporation convicted of an offence upon indictment, discretion to levy a fine in proportion to the offence.

Now, we have a motion before us; are you ready for the question? All those in favour? Opposed? I declare the motion carried.

We have one further item, which has already been alluded to, namely, the amendment to section 10 (1.1), which is a change from our own first bill.

The amendment reads as follows:

(1.1) Where a corporation commits an offence under this Act or the Regulations, any director or officer of the corporation who authorizes or acquiesces in the offence or fails to exercise due diligence to prevent its commission is guilty of an offence and liable to the punishment provided for in subsection (1).

It has been pointed out to me that, while we are not nearly as tough in this as we endeavoured to be, in regard to the chief executive officer, the umbrella in this proposed amendment is broader and would cover any director or officer of the corporation. Perhaps what we lost in pinpointing the chief executive officer we have gained in having a provision that covers the management generally.

Are you prepared to accept that particular amendment from the House of Commons?

Senator Greene: I am prepared to accept it, but I would like to have it on the record that I would much prefer to have the onus of disproving responsibility placed on the

executive rather than the onus, as it is here, placed on the crown to prove that he should have known, or could have known.

Getting into the internal management of these large corporations is usually an impossible labyrinth. Therefore, I would like to have it on the record that I would have preferred the onus to be the other way around, on the responsible officers of the corporation to disprove their negligence or knowledge, rather than on the crown to prove that he was negligent or remiss. I do not believe you will ever convict anyone under this section, as it is worded, unless criminal defence lawyers are a far lesser breed than I expect them to be.

Mr. du Plessis: All of the precedents that we have that involve directors or officers are modelled along these lines. This form of penal provision has been used in the statutes for many years.

Senator Greene: It has always been a tender view of the law officers of the crown that this would be an infringement on our normal concept of criminal justice—namely, that the onus is on the crown to prove all elements of the charge.

The Chairman: I thank Senator Greene for the views which he has expressed. I think that his statement, plus the action of this committee today, is the answer to those who are saying that senators are just a group of people who are out working for the corporations. We have here before us an instance in which the Senate is tougher, with regard to corporations, than the House of Commons. I think we have been tough in a fair and reasonable manner. While we have not gone as far as Senator Greene wished us to go, we went as far a few months ago. We have been blocked, in the other place, but we have taken action today to bring about what we believe to be a reasonable penalty for corporations found guilty of an indictable offence. Therefore, if I may say so myself, the Senate is doing a good job in dealing with this question at the present time.

Senator Greene: Under the circumstances with which we are faced, this is as far as we can go at the present time. I am going to support the proposition as stated. I only regret that the tender sensibilities of the New Democratic Party in the other place, for the protection of corporate executives, made it impossible for us to go as far in policing this matter as the Senate would have liked.

The Chairman: How Stanley Knowles could be so kind to corporations, I do not know.

Senator Hays: Not that I am opposing the motion, but what particular cases are you concerned about—co-operative firms?

The Chairman: You know as much about it as I do. It has to do with the Feeds Act and the quality of the feed, the ingredients in the feed and so on.

Senator Hays: Was someone charged with putting in aureomycin or putting in a poorer quality supplement?

The Chairman: I would think that is the kind of thing we are trying to get at. As Senator Greene said, if they put

straw in the feed, instead of a good protein supplement, and made a million dollars—it is a little far-fetched—because they had doctored the feed, we would not fine them \$2,000 one day because they would say, "That's nothing. We will go on committing the offence!" It would be something similar to the companies that stay open at night and break a city by-law. They pay the fine and stay open the next night again. This was the theory behind it. The companies may have been well behaved in the past, but this new legislation will be a stronger indication that they should continue to be well behaved.

Senator Greene: Hopefully we will get a tough judge to try the first case, who will use his powers effectively. Maybe the concern of the Senate for the public, as opposed to the rights of the corporate officials, will be reinforced by a good tough judgment in the early litigation based on this amendment to the act.

Senator Hays: If it is too tough, they will appeal it and it will be dismissed.

The Chairman: Well, try another judge.

Senator McDonald: It is a safety valve.

The Chairman: Would someone care to move concurrence in the amendment from the House of Commons? It is moved by Senator McDonald, seconded by Senator Macdonald. All those in favour? Opposed? Carried.

Now, is there some formality in reporting, or is that the end of the matter?

Mr. du Plessis: We just have to draft a report.

Would the committee wish to give any reasons for recommending that the Senate not concur in the amendment the committee has revised? Sometimes in the past where there has been disagreement with amendments made by one House the reasons for the "disagreement" have been given.

Senator Lafond: It seems to me that the debate we had yesterday quite clearly explains our reasoning, with the intervention of Senator Greene, Senator Argue and Senator Langlois.

Mr. du Plessis: Perhaps from the debate we could extract reasons that could be included in the report. I believe this would help to round out the report.

The Chairman: What is your opinion, Senator Forsey—that a few brief reasons are better than no reasons; or just the bare report?

Senator Forsey: I should have thought the simple report would be preferable, and then the chairman of the committee, in dealing with the matter, would explain it.

The Chairman: Is that agreed—a brief report? The briefer the report, the faster it will get to the Senate and the faster we shall be able to deal with this legislation. Is that agreed?

Hon. Senators: Agreed.

The committee adjourned.

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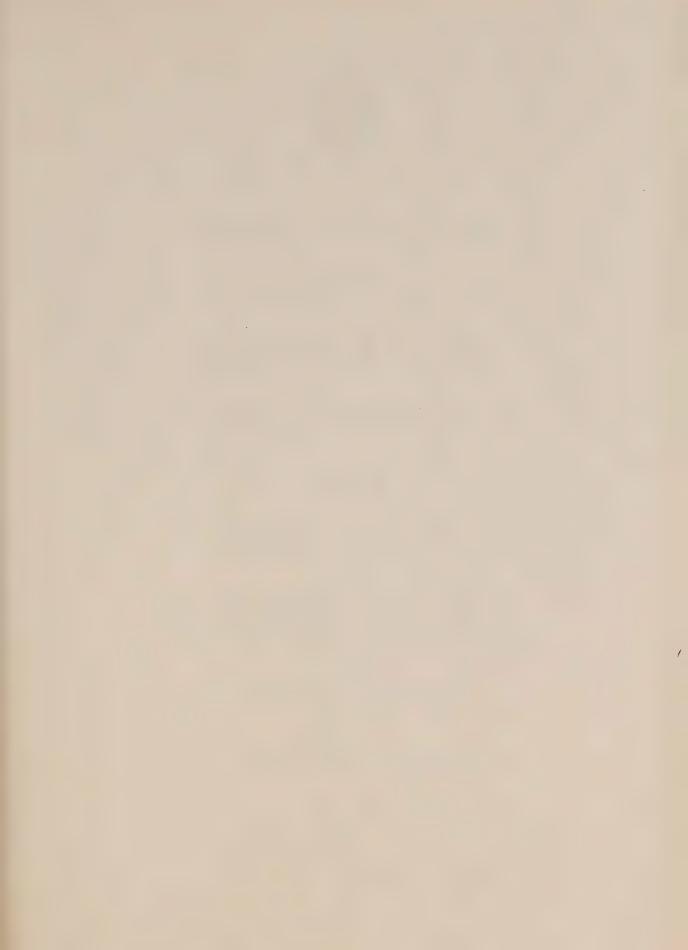
















Government Publications

FIRST SESSION—THIRTIETH PARLIAMENT
1974-75

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 28

THURSDAY, DECEMBER 18, 1975

Complete Proceedings on Bill C-28, intituled:

"An Act to amend the Animal Contagious Diseases Act"

REPORT OF THE COMMITTEE

(Witnesses: See Minutes of Proceedings)



THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue
Blois
Côté
*Flynn
Fournier
(Restigouche-Gloucester)
Greene
Haig
Hays
Inman
Lafond
Macdonald

McDonald
McElman
McGrand
McNamara
Michaud
Molgat
Norrie
*Perrault
Sparrow
Williams
Yuzyk—(22).

*Ex officio members

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, December 16, 1975.

"Pursuant to the Order of the Day, the Honourable Senator McGrand moved, seconded by the Honourable Senator Basha, that the Bill C-28, intituled: "An Act to amend the Animal Contagious Diseases Act", be read the second time.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator McGrand moved, seconded by the Honourable Senator Basha, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Thursday, December 18, 1975.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 11:00 a.m. to consider Bill C-28, intituled: "An Act to amend the Animal Contagious Diseases Act".

Present: The Honourable Senators Argue (Chairman), Hays, Inman, Lafond, Macdonald, Norrie and Williams. (7)

Witnesses:

Department of Agriculture:

Dr. K. F. Wells,

Assistant Deputy Minister,

Health of Animals Branch;

Dr. A. E. Lewis,

Director,

Health of Animals Branch;

Dr. J. B. Morrissey,

Chief, Transportation of Animals.

The witnesses replied to the questions of the Committee in explanation of the Bill. Following discussion, and upon motion of the Honourable Senator Hays, it was *Resolved* to report the said Bill without amendment.

At 11:30 a.m., the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Report of the Committee

Thursday, December 18, 1975.

The Standing Senate Committee on Agriculture to which was referred Bill C-28, intituled: "An Act to amend the Animal Contagious Diseases Act", has, in obedience to the order of reference of Tuesday, December 16, 1975, examined the said Bill and now reports the same without amendment.

Respectfully submitted,

Hazen Argue, Chairman.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, December 18, 1975

The Standing Senate Committee on Agriculture, to which was referred Bill C-28, to amend the Animal Contagious Disease Act, met this day at 11 a.m. to give consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we have with us this morning Dr. K. F. Wells, Assistant Deputy Minister, Health of Animals Branch; Dr. A. E. Lewis, Director, Contagious Diseases Division; and Dr. J. B. Morrissey, Chief, Transportation of Animals Section, all from the Department of Agriculture.

This bill is new in a sense,but also old in a sense. We had Bill S-2 before us more than a year ago. I take it this is mainly the bill we had, with some amendments. Knowing that we have had the bill once and made quite a thorough study of it, perhaps that should shorten our deliberations at this point. I thought perhaps the most useful thing for Dr. Wells to do would be to give us a run down of the amendments and changes in this bill compared with the one we had.

Dr. K. F. Wells, Assistant Deputy Minister, Health of Animals Branch, Department of Agriculture: Mr. Chairman, honourable senators, the essential change between Bill C-28 and Bill S-2 is that we are seeking to amend the methods of payment of compensation for animals ordered destroyed because of disease. Previously there was, and today there is, a maximum amount of compensation that could be paid for grade animals and pure bred animals of \$450 for pure bred animals and \$200 for grade animals. In addition, the owner gets the value of any salvage or beef price which is salvaged when the animal is sent to the packing plant for slaughter.

The amendment proposes that we raise those maximums, and then deduct from the compensation the amount of slaughter value. The reason is, of course, that if one orders slaughtered a dairy type animal, the beef value or salvage is very low, whereas if we order slaughtered a beef animal the beef value is high. Perhaps with Senator Hays here I cannot say that beef value is high today, but it is higher than for the dairy animal. The purpose is to raise the levels of compensation, and then deduct from that the beef value, so that both the owner of the dairy animal and the owner of the beef animal will be on a more equitable basis with respect to the compensation received. It was, in fact, this amendment involving the expenditure of money which, as I am sure you are well aware, required that the bill be reintroduced into the other place rather than in the Senate. This is the only serious amendment that has been made.

In addition to that, since the bill was last here there have been some amendments to definitions. The bill, as previously discussed by your committee, included, amongst other things, the authority to make regulations with respect to animal dead yards, rendering plants and pet food manufacturers, to ensure that the product of animals which have died other than under normal slaughtering conditions does not enter the food chain. The bill provides authority for that. In order to be more specific in that respect, definitions have been added to define animal dead yards, rendering plants and food manufacturers, and to procide authority for the department to make regulations controlling or regulating the operation of these dead yards, requiring the labelling, packaging and keeping of records of the product.

The other change—which is not a change from when you first discussed it—is that the name of the act is being changed from the Animal Contagious Diseases Act to the Animal Diseases and Protection Act. This change is being made because of the inclusion in the bill of the brand new clause dealing with the transportation of animals, in order that the transportation of livestock, either by rail, truck, sea or air, can in fact be regulated to prevent problems with livestock in transportation.

There are other amendments bringing things up to date. For instance, we have operated for years under an area program for the eradication of diseases such as tuberculosis and brucellosis. The legal authorities today indicate that perhaps in the original Animal Contagious Diseases Act there was not adequate authority for the establishment of such areas, in spite of the fact that we have been doing it for 40 years. Therefore, these things are being corrected to bring them up to date. That, I think is a summary of the position.

Senator Hays: I want to congratulate the department on bringing that up to date, and also on increasing the compensation. I think it is a big improvement over the old bill. It also gives the department authority to do some of the things that should be done, certainly in the dead animals part of the bill. I have one question. Will embryos be included in the bill?

Dr. Wells: Yes, embryos are defined in the definition

"animal" includes a bee, a fertilized egg or ovum, live poultry and a reptile.

The inclusion of reptiles is designed to bring in authority with respect to, particularly, the importation into Canada, in the international trade today, of many small reptiles that are handled as pets, which are carriers of salmonella. We have to make sure that where such importations are made there is no danger of salmonella. Fertilized ovum and fertilized eggs in the case of poultry are included.

Senator Hays: Down the road, if they are frozen they would still be covered?

Dr. Wells: That is correct. In the same vein, additional authority is being sought to tighten the regulations on the

control of artificial insemination centres. Therefore, we will be concerned not only with the health of the bulls in those centres but also with the processing, storage, labelling and distribution of semen, whether frozen or fresh.

Senator Hays: Is there anything in the bill with repect to someone who wants to collect semen from his own male for his own purposes, preventing him from so doing? It puts it completely within the department's discretion?

Dr. Wells: Yes, Under the existing regulations—and there is no thought that they will be changed— anyone collecting semen other than for use on his own premises must have it collected in a licensed artificial insemination centre. In effect, unless an individual is collecting semen from a bull for use on his own premises, he must move that bull to a licensed artificial insemination centre. He cannot even give it away.

Senator Hays: But he can collect for his own purposes?

Dr. Wells: For his own purposes and his own purposes only. It is the intention, under the authority provided in the bill, that the maintenance of private storage semen tanks will be required to be registered. As honourable senators are well aware, in past years we have had some problems with the control, distribution and malhandling of semen. Therefore, private owners maintaining their own tanks will require to be registered.

The Chairman: Are there any other questions?

Did you have control over dead animals and rendering plants before; and, if so, to what extent is this new?

Dr. Wells: We had control over rendering plants, only inasmuch as they involved those packing plants which were operating under the provisions of the Canada Meat Inspection Act, and those rendering plants that were authorised to take condemned material from the packing plants operating under the Canada Meat Inspection. In other words, large packing plants registered under the Canada Meat Inspection Act have their own rendering facilities, but small, temporary plants registered under the Canada Meat Inspection Act cannot reasonably develop and operate a rendering operation for a small amount of condemned material. Therefore, authority was given to these plants to move this condemned material to a renderer who was licensed. We had control of these renderers, because they were authorized to take condemned material from registered packing plants. Other than that, we did not have authority over the general rendering industry.

The Chairman: Now you will have?

Dr. Wells: Now we will have, yes. It is essential in today's society.

The Chairman: Could you just tell us how compensation might be paid, and give us an example?

Dr. Wells: The rates of compensation will be established by the Governor in Council. Today we do not, I regret to say, have suggested maximum figures for you. Our Livestock Division is getting information with respect to the average sale price of pure bred stock and grade stock across the country, which varies, so that we will be able to assess what the maximum should be. Then animals will be valued within that maximum.

I should make it clear that the maximum compensation applies only to diseases which were eradicated by area regulations; that is, where we test the entire country, such as with tuberculosis, brucellosis and John's disease. If other diseases, such as foot-and-mouth disease, hog cholera or any of the serious exotic diseases that do not exist in the country, were to be found within the country we would, of course, immediately step in for total eradication. In this case we pay the full value of the animal as established by a committee. In the case of diseases whereby we operate on an area basis—tuberculosis, brucellosis and John's disease are the only three— we have a maximum. Animals will be valued within that maximum, they will be ordered slaughtered and the amount of salvage, will be deducted from the value of the animal.

The Chairman: If the animal were a grade animal it would likely come close to full compensation in relation to the market price today?

Dr. Wells: Generally speaking, it would be close to it. It is difficult to say yes, because in some of the dairy breeds a grade animal, having been bred up for milk production through the use of artificial insemination, is made an animal of higher value than normal as a grade animal. Certainly it is hoped that the level of maximum compensation will be closer to the value than the present day operation.

The Chairman: Are there any other questions?

Senator Hays: I move that we report the bill without amendment.

The Chairman: It is moved by Senator Hays, seconded by Senator Lafond, that we report the bill without amendment. Is that agreed?

Hon. Senators: Agreed.

The committee adjourned.





(A) 10 25

FIRST SESSION—THIRTIETH PARLIAMENT 1974-76

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HERVÉ J. MICHAUD, Deputy Chairman

Issue No. 29

THURSDAY, FEBRUARY 12, 1976

Complete Proceedings on Bill C-41, intituled:

"An Act respecting the stabilization of net proceeds from the production and sale of western grain and to amend certain statutes in consequence thereof"

REPORT OF THE COMMITTEE

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue
Blois
Côté
*Flynn
Fournier (RestigoucheGloucester)
Greene
Haig
Hays
Inman
Lafond
MacDonald

McDonald
McElman
McGrand
McNamara
Michaud
Molgat
Norrie
*Perrault
Sparrow
Williams
Yuzyk—(22).

(Quorum 5)

^{*}Ex officio members

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, February 10, 1976:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator McDonald, seconded by the Honourable Senator Smith (*Queens-Shelburne*), for the second reading of the Bill C-41, intituled: "An Act respecting the stabilization of net proceeds from the production and sale of western grain and to amend certain statutes in consequence thereof".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator McDonald moved, seconded by the Honourable Senator Molgat, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Thursday, February 12, 1976

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 10:00 a.m.

Present: The Honourable Senators Michaud (Deputy Chairman), Lafond, McDonald, McGrand, Molgat, Norrie and Yuzyk. (7).

The Committee proceeded to consider Bill C-41, intituled: An Act respecting the stabilization of net proceeds from the production and sale of western grain and to amend certain statutes in consequence thereof."

Witnesses:

- Mr. Ralph Goodale, M.P.,
 Parliamentary Secretary to the Honourable Otto Lang,
 Minister responsible for the Canadian Wheat Board;
- Agriculture Canada: Mrs. D. M. Forsyth, Chief, Operational Programs, Grains and Special Crops Division.

After discussion and upon Motion of the Honourable Senator Molgat, it was *Resolved* to report the said Bill without amendment.

At 10:55 a.m. the Committee adjourned to the call of the Chair.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Report of the Committee

Thursday, February 12, 1976

The Standing Senate Committee on Agriculture to which was referred Bill C-41, intituled: "An Act respecting the stabilization of net proceeds from the production and sale of western grain and to amend certain statutes in consequence thereof" has, in obedience to the order of reference of Tuesday, February 10, 1976, examined the said Bill and now reports the same without amendment.

Respectfully submitted,

Hervé J. Michaud, Deputy Chairman.

The Standing Senate Committee on Agriculture

Evidence

Ottawa. Thursday, February 12, 1976

The Standing Senate Committee on Agriculture, to which was referred Bill C-41, respecting the stabilization of net proceeds from the production and sale of western grain and to amend certain statutes in consequence thereof, met this day at 10 a.m. to give consideration to the bill.

Senator Hervé J. Michaud (Deputy Chairman) in the Chair

The Deputy Chairman: I am sure the members of the committee would first wish me to say that we are sorry to hear that Senator Argue met with an accident last week in which he sustained a leg francture. I have just been in touch with his office. He had the original cast removed yesterday and is now in a walking cast. He plans to be with us next week on a pair of crutches—so beware!

Senator Yuzyk: Self defence!

The Deputy Chairman: We are here this morning to discuss Bill C-41, the Western Grain Stabilization Bill. We have with us Mrs. D. M. Forsyth, Chief, Operational Programs, Grains and Special Crops Division, Agriculture Canada, and Mr. Ralph Goodale, M.P., Parliamentary Secretary to the Honourable Otto Lang, Minister responsible for the Canadian Wheat Board. Mr. Goodale, who is representing the minister, was before us on a previous occasion. Perhaps we should start by asking him for his opening statement.

Mr. Ralph Goodale, M.P., Parliamentary secretary to the honourable Otto Lang, minister of Transport and minister responsible for the Canadian Wheat Board: Thank you, Mr. Chairman. As the member of Parliament for the constituency from which Senator Argue hails originally, I too want to express my regret at his accident, and I am very glad to hear that he is recovering satisfactorily.

I am pleased to have with me this morning, Mrs. Dorothy Forsyth from the Canada Department of Agriculture. As the chairman mentioned, she is the Chief, Operational Programs, in the Grains and Special Crops Division of the department, and has been very intimately involved with the development of the western grain stabilization plan as we now have it.

Last December, when I first appeared before your committee to run through, in a preliminary way, some of the principles involved in the grain stabilization plan, I said that I had hoped to be appearing then not in the capacity of providing an advanced briefing, but at the stage of the actual consideration of Bill C-41 before your Senate committee. That occasion has now presented itself, and I can assure you, on my behalf, and that of the minister and all of us who have been involved with this legislation for quite some time now—going on five and a half or six years—that it is a very happy and, indeed, memorable occasion to see this legislation advanced this far, bacause it

is a bill that is decidedly in the interest of Western Canada and one that we hope to see in place and operating just as quickly as possible.

As I was thumbing through some of the papers and material which I have accumulated over the past several months, and in some cases years, about the grain stabilization plan, I came across a couple of documents which now are probably of no more than historic interest, but they are rather important pieces of paper. They are the original proposals which Mr. Lang, as Wheat Board minister, put together about the idea of a grain stabilization plan for Western Canada, dated October 29, 1970.

Just this morning I received my first copy of the brochure that is now in the process of being prepared by the Department of Agriculture to summarize the program as it now exists. A tremendous amount of history has taken place in the time between the production of that original document in 1970 and the one that is now in the process of being prepared for distribution to producers once the legislation is in place and operating. That, I think, is probably an important feature of the work of all parliamentarians now, Mr. Chairman, both in the House of Commons and in the Senate-providing producers with the best possible information about this legislation. There can be no question that it is a complex bill. It contains considerable detail and it is important that the producers have a chance to become familiar with all of its workings so that, in their own good judgment, they can make their own decisions as to how the legislation should affect them and how they may want to participate in it.

I went into considerable detail on the legislation at the meeting in December. For that reason, I think this morning I should like to provide a greater opportunity for questions. Perhaps just as an introduction, I could hit the highlights of the legislation.

The basis of the plan, of course, is the establishment of a western grain stabilization fund. That fund will accumulate moneys from four sources, essentially. The first will be producer contributions, which would amount to 2 per cent of producers' gross grain receipts in any one year, up to a maximum of 2 per cent on \$25,000, or a maximum producer levy in any one year of \$500. The Government of Canada will be the second contributor to the fund, and its contribution will amount to twice as much as the producer puts in-that is, for every \$1 that the western grain farmers contribute to the fund, the Government of Canada will put in \$2. If a producer contributes the maximum amount of \$500, the corresponding federal government contribution, of course, will be \$1,000. In addition, the fund will earn interest, if it is running a surplus, and it will pay interest if it is running a deficit. The fourth source of revenue is a backup guarantee of solvency from the Government of Canada. This, I think, is an important feature to bear in mind, particularly in relation to some of the discussion we have heard in other quarters about the possibility of individualizing the plan which, essentially, implies a substantial reduction in the government's participation in the plan, because that backup guarantee of solvency would be removed in any plan of individualization that I have seen specifically proposed. That would necessarily reduce the overall benefit to grain producers that might otherwise flow if that backup guarantee was in place.

What I mean by a federal backup guarantee of solvency is simply that if in any one year the normal calculation for stabilization payments would amount to \$100 million—that would be the payout from the fund—and on calculation the fund had only \$90 million to its credit, that does not mean that producers would be limited to \$90 million. The federal government would then make up the deficit so that the full amount of \$100 million could be paid out to the producers. The bill, of course, includes provisions in a mathematical or actuarial sense to ensure that it does not run inordinate surpluses or deficits. There is an attempt made to make sure that it is always mathematically and economically sound, and the provisions are in the legislation to do so.

The producer deductions are made automatically, in most cases, by the elevator where the producer delivers his grain and by the Canadian Wheat Board when the board is making its adjustment and final payments. There are certain instances where producers may be able to remit their levies volontarily. For example, if the producer delivers grain to an outlet that is not in a position to make the deductions automatically, the producer can then make a voluntary contribution of the deduction. Those instances in which voluntary contributions can be made by producers are specified in the legislation.

For purposes of controlling this automatic deduction process, whenever a producer reaches his maximum amount in any one year of \$500, he will receive an endorsement for his permit book, and affixing that endorsement to his permit book will ensure that no further deductions are made in that year.

The next major question is as to when the fund becomes available to grain producers. The short answer to that question is that the fund will become available when we get to a bad year for grain producers in Western Canada—what we in the West have often referred to as a "bust year." The definition of a bust year, essentially, is one in which the net cash flow to the Prairie region is below the average net cash flow to the Prairie region from grain sales in the previous five years.

I suppose I should define the phrase "net cash flow." It is a significant phrase, because it clearly indicates that this plan is based on a net calculation, not a gross calculation, so the relevant cash cost of producing the grain involved is very directly taken into consideration. Essentially, we calculate what the gross grain receipts level is and deduct the cash cost associated with the production of the grain, the difference being the net cash flow. That is the figure that is being stabilized. It is very directly related to the cost of production.

Whenever the net cash flow in any one year is below the average net cash flow for the previous five years, that, for the purposes of this legislation, would be considered a "bust year" and there would be a payment out of the stabilization fund.

Senator Yuzyk: Would that apply immediately on the plan coming into effect?

Mr. Goodale: Yes, the averaging will work back. We will not have to work our way five years into the plan before being able to make a payment. In effect, a payment could be made in the very first year of the plan if the conditions warranted it.

Senator McDonald: Dealing with the total cash receipts, if a producer produces \$100,000 worth of grains, which would make his total cash receipts \$100,000, he is still only contributing on \$25,000. Have you any estimate of the total cash sales that will come under this plan and what happens to those individual sales between \$25,000 and, say, \$100,000?

Mr. Goodale: The first calculation to start the whole process in working out the payment, or the status of the plan, in any one year would be on all sales. There are two things in the plan which limit that figure, the first being the fact that it is voluntary and there may be producers no participating. For that reason, we will have to make a mathematical adjustment to compensate for the voluntary nature of the plan. The second thing that limits the amount of grains that would actually be covered by the plan is the point that you mentioned, the eligible gross receipts, which are limited to \$25,000. Again, there is a formula set out in the legislation which adjusts the figures involved to include that percentage of the grain that is covered—that is, up to \$25,000.

Some concern has been expressed by some groups that the \$25,000 figure is too low in terms of today's farm sizes and grain values. I believe the Saskatchewan Wheat Pool, for example, suggests that we should go to \$35,000, and Palliser Wheat Growers has argued that we should condider \$50,000.

If you take the figures going back to, say, that tough period in grain farming when grain prices were \$2 a bushel or less, a figure of \$25,000 would almost have amounted to 100 per cent coverage. In today's terms, I believe it is substantially less—perhaps in the range of 70 per cent or 75 per cent, if I am not mistaken. Obviously, when grain prices and even farm sizes or other factors change, that figure of \$25,000 may have to be changed as well, and the legislation does provide for that.

Senator McDonald: If the figure o 75 per cent is accurate, dealing with the last crop year, and assuming a limit of \$25,000, what percentage of the total would that be? You say the percentage would be in the seventies at least.

Mr. Goodale: I believe the figures I would be operating on would be the 1974 figures.

Senator McDonald: The 1974-75 figures.

Mr. Goodale: Yes, 1974-75, and based on that year, to the best of my recollection, the coverage would have amounted to about 75 per cent, taking the value at \$25,000.

Senator Norrie: Is the 2 per cent that the producer pays paid each year?

Mr. Goodale: Yes.

Senator Norrie: So, whether he receives a payment out of the fund or not, that 2 per cent is paid every year?

Mr. Goodale: Yes, it is a deduction that will be made in every crop year. Looking back at the 20-year period from the end of the Second World War, payments would have been made not quite on the average of every second year, but about every two and one-half years. Of course, they

would come in chunks. There might have been four or five payments in a row, and then a good period, and that would more or less correspond, inversely, to the zig-zag pattern of grains incomes over the years.

If my recollection is correct, I believe that the value back to producers for the dollars they put in, again based on that 20-year period of historical experience, would have been something in the order of three to one.

If we can learn anything from the historical experience, had this plan been in place for the past 20 years, the experience points out that there is a considerable premium to the producer for the amount of money that he pays into the plan.

Senator Molgat: The ratio would be three to one?

Mr. Goodale: Yes, I believe that is correct, senator. Actually, if you take the past 10 years of experience, assuming the plan had started in 1965, I think the benefit ratio is even higher.

Senator Molgat: In that case, the plan would be running a substantial deficit. If the federal government puts in two to one and the plan is paying out three to one, the deficit would be substantial.

Mr. Goodale: No, not according to the historical experience. Mrs. Forsyth may have the actual figures with her, but the crucial factor as far as the long-term solvency of the fund is concerned, as I have been able to perceive it from the legislation, is the point in time when the legislation is put into effect. This is one of the reasons why we have been so anxious to see the bill in place at this particular moment in time, when grain incomes are rather buoyant.

If the fund had started about 20 years ago, at a period of relative depression in grain marketing, it would have started off immediately by making a payment; it was sort of behind the eight-ball from the very beginning and had to work its way out of that deficit position; it eventually did so, but it is a bit of a longer haul. If had started the plan in 1965, which was an "up" period for grain income, we had not quite reached the "down" of 1968 and 1969; the plan would have started in a period of two or three good years and would not have been in any serious difficulty during that period of time. I think one of the factors important to its long-term solvency is the beginning of it at a buoyant period, and we have one of those at the moment, which hopefully will continue to be the case.

Senator McDonald: If the producer gets back three to one the fund will be in balance, because he gets back \$2 that the federal government puts in and he gets his own \$1 back.

Mr. Goodale: That is true.

Senator McDonald: The fact that he gets back three to one will means he will be in balance. I thought that if he gets back three to one there is \$1 missing somewhere, but there is not because he gets his own \$1 and the government's \$2. If the fund paid out three to one it would be roughly in balance.

Mrs. D. M. Forsyth, Chief, Operational Programs, Grains and Special Crops Division Canada Department of agriculture: Don't forget the fund is also earning interest, and we are talking about millions of dollars in interest, which is quite a factor.

Mr. Goodale: Even at the rate of four or five per cent.

Senator McDonald: Even if it has that history, it will be roughly in balance.

Senator Lafond: Mr. Chairman, if the witness wants to conclude his opening statement I will wait before questioning, but if we are into questions I want to be in now.

Mr. Goodale: I think we might as well continue with questions, Mr. Chairman, if that is the wish of the committee.

Senator Lafond: I apologize to the committee for missing the December meeting. I must admit that some of the replies to my questions may already be on the record, nonetheless I believe they should be asked on the same day on which we consider the bill itself. These questions come, of course, from a non-agricultural eastern person.

First, what is the reason for the open-ended participation, the individualization of the plan, as opposed to a certain minimum in volume of participation being required? This seems to me to render rather flimsy the actuarial basis of the plan. As a supplementary to that question: Have we a forecast of the density of participation, or do we have an estimate and not a forecast?

Secondly, what is the rationale for the two-to-one contribution by the government?

Thirdly, what is our witnesses' refutation for the argument that has been made that this legislation constitutes a genre of guaranteed annual income for one class of society?

Mr. Goodale: One of the issues that obviously must be of concern to the government is the actuarial soundness of the legislation. The minister and the Department of Agriculture have, in working on the legislation, been very conscious of that fact. There are provisions in the bill to ensure that it maintains that soundness and mathematical integrity, if I can call it that. A bill that does not have that feature in it may perhaps be of some short-term sensational benefit, but in the longer haul it is not to the advantage of producers, nor is it to the advantage of the country, if the bill is not actuarially sound.

I think there are a number of features in it which point in a sound direction. First of all, the maximum level of participation by both producers, and therefore consequently by the government, is limited in the sense of the eligible gross receipts maximum of \$25,000; that can be adjusted subsequently, at some future time, if it is found to be out of line with current economic conditions, particularly grain prices. There is that limit in the plan in that sense.

In terms of contributions to the fund, both the producer levy and the government levy, given the existence of certain conditions, can be adjusted upward or downward to avoid the running of inordinate surpluses or inordinate deficits. The plan does begin to lose some of its soundness if it is consistently in a deficit condition over a long period of time. Similarly, it does not do the producer a great deal of good to have a lot of money tied up in the fund if it is simply there contributing to perhaps an idle surplus. The levy rates can be adjusted, and the formula is set out in the legislation to ensure that we do not go overboard in one direction or the other.

Also, if the fund is running a substantial sustained deficit there is a final provision in the bill that allows the pay-out level to be reduced from the full 100 per cent to 90

per cent of the average net cash flow over the previous five years.

Those really are, I suppose, the mechanical provisions in the legislation to ensure that it is mathematically sound. Again looking back over the past 20 years to see how those safeguards would have functioned if the bill had been in place for that period of time, I believe there were two or three instances when the levy rates would actually have gone through that adjustment, and there would have been one year when we would have been close to reducing the pay-out from 100 per cent of the average to 90 per cent of the average. Only in those relatively rare cases was the fund in any substantial difficulty as far as its solvency was concerned.

With respect to grain producer participation, we have a target. I do not know if we can call that an estimate, but our target generally is 90 per cent, which is specified in the legislation.

The rationale for government participation in the ratio of two to one boils down to the substantial importance the government has placed upon maintaining and sustaining a stable grain producing industry in Western Canada. One of the most unsettling and destructive things to the western economy, which has direct repercussions across the country, is that cyclical pattern of grain incomes over time, up one year and down the next, and the producer cannot really begin to enjoy or take advantage of a good economic period for fear of how bad the next one will be. Producers from time immemorial have been talking about that instability problem and have been discussing, amongst themselves, ways to eliminate it. I would think virtually every farm organization in Western Canada is on record requesting this kind of initiative by the Government of Canada. Certainly, every political party in this country, going back to the dirty thirties and before, is on record, at least, as having discussed this kind of concept and expressing support for it.

The most recent governmental comment on this concept of grain stabilization was at the Western Economic Opportunities Conference in Calgary in 1973 where all the Prairie governments were unanimous in requesting this kind of program.

I suppose the short answer to your question about the specific ratio of two to one, in terms of government versus producer contributions, is the importance which we attach to a real and realistic solution to that very difficult problem. We think we have a pretty good proposal here. It may require some adjustment as we get some experience, but I think we have the basis of a pretty good plan.

The final question you asked was about a guaranteed annual income. I had occasion to comment on that particular matter in the House of Commons when we got around to the third reading debate on this subject. I pointed out at that time that this proposal is, indeed, not a guaranteed annual income; it is a measure for bringing stability to the grains industry, through bringing stability to the incomes of individual grain producers. The alternative programs that we have heard proposed by some others, I believe, are more in the line of a guaranteed annual income, which the government specifically, for the purposes of this legislation, did not follow. To my mind, the one specific proposal which would lead to a guaranteed annual income for this one rather, if you like, narrow segment of society, was the proposal put forward in the House of Commons by the New Democratic Party. I believe it was supported by some of the provincial NDP administrations in the West, and

also by the National Farmers Union. That was really something quite different in philosophy and approach from this legislation. It was really not a stabilization proposal, it was a guaranteed annual income proposal which, apart from other social implications—particularly, equity among various groups in society—has another very serious drawback, that being that the proposal put forward by those groups would necessarily lead to a much greater interference in western agriculture and in the affairs of grain producers by government. That is something that I do not believe is particularly desirable. In all discussions that I have had with western grain producers, I have not found any of them to be particularly desirous of having that kind of interference in their affairs.

A guaranteed annual income scheme tied to grain, which those groups I have mentioned proposed, would lead us into substantial production controls and would bring about heavy government involvement in dictating to farmers how, when and where they produce and market their products. That is an undesirable result and it is one of the reason why we did not choose a guaranteed annual income approach to this particular problem.

Another problem with that kind of approach is that it would tend to eliminate some real and legitimate differences between farmers, differences that farmers pretty jealously guard and are proud of—differences in their judgment, differences in their ability as producers. Those are real differences that I do not believe government should try to eliminate. They are things that farmers are very proud of. It is a pride of operation; it is a pride of ownership, if you like; it is a pride in their ability to do a good job. I do not believe a government should eliminate those kinds of things.

Finally, the proposal for more of a guaranteed annual income scheme than we have in this bill would tend to distort some really important economic messages that should be coming through to producers. One of the points made to us, very strongly by the Palliser Wheat Growers organization, was that this plan should not become artificial; it should not be a plan to put a road block between the producers and the real world. There is a legitimate government objective in trying to minimize that instability, however; the plan should not become artificial, so as to distort the real situation. I am afraid a guaranteed income scheme would do that, whereas I am confident the present plan will not do that. That is a long-winded answer to a fairly short question, but I hope I have dealt with some of your concerns.

Senator Lafond: There are some who will still believe that it has some elements, as it is now, of a guaranteed annual income for a segment of the economy.

As a last question or remark, with typically non-agricultural eastern urban overtones . . .

Senator Molgat: That is very bad.

The Deputy Chairman: Order!

Senator Lafond: If the bottom were to drop out of the income of the grain growers in any one year, the government treasury would come to their rescue, as it has done occasionally in the past, and this supplies a new vehicle for the government to achieve the same end, with fortunately some input from growers themselves.

Mr. Goodale: I think that is a fair comment, in the sense that what we are trying to do is, instead of having sort of a

long-term expectation of instability with the possibility or probability of periodic government intervention to bolster the situation, we are trying to replace what in those circumstances is uncertainty in the operation of the western grain producers with some long-term expectations of certainty or stability, or an expectation of a long-term minimum level of a decent economic situation. That is what the bill is designed to do. It is a matter of replacing an expectation of instability with one of stability.

Senator Lafond: Thank you.

Senator Yuzyk: I did ask a number of questions on second reading of the bill, and some of the questions were answered adequately by Senator McDonald, who is the sponsor of the bill in the Senate. He was not in a position to answer some questions which I believe the witnesses are in a position to answer. However, I am not going to ask those questions because I think it will take too long a time.

I have no objection at all to the bill as it is now and, therefore, from the Opposition side we do approve the bill in principle. We are not suggesting any amendements at this time. We do fear, however, that if a situation arises in the five-year average where an extended period of hard times comes in, it may knock the bottom out of this stabilization fund. My understanding of the situation is that if agriculture ever gets into that kind of a problem, we shall have to deal with it in Parliament, in any event, and probably shall have to bring about amendments to take care of what I would call a calamitous situation. Therefore, I am not going to ask the questions I did pose on the floor of the Senate. I suggest that if there are no other questions we proceed immediately with the bill.

The Deputy Chairman: Do I understand that, there being no objection to any part of the bill, we need not bother going through it clause by clause?

Hon. Senators: Agreed.

The Deputy Chairman: Then I will entertain a motion to report the bill.

Senator Molgat: I move that the bill be reported without amendment.

The Deputy Chairman: Is it agreed?

Hon. Senators: Agreed.

The Deputy Chairman: Is there a motion for adjournment?

Senator McDonald: I so move.

Before we adjourn, I wish to express our thanks to Mr. Goodale and the representative from the Department of Agriculture for being with us, not only on this occasion but on a previous occasion, when I understand you went into a complete explanation of the principles of the bill. Unfortunately, I was unable to be present. However, I read the committee report of that meeting and that, as a matter of fact, is where most of the material came from for my speech on second reading. Thank you very much.

Mr. Goodale: Thank you, Senator McDonald, and thank you for your attention this morning.

The committee adjourned.

Published under authority of the Senate by the Queen's Printer for Canada

Available from Information Canada, Ottawa, Canada,















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FIRST SESSION—THIRTIETH PARLIAMENT
1974-76

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 30

THURSDAY, MARCH 4, 1976

Presentation of the Dairy Farmers of Canada

(Witnesses: See Minutes of Proceedings)



THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue McDonald Blois McElman Côté McGrand *Flynn McNamara Fournier (Restigouche-Michaud Gloucester) Molgat Greene Norrie Haig *Perrault Hays Sparrow Inman Williams Lafond Yuzyk-(22). MacDonald

 $*Ex\ officio\ members$

(Quorum 5)

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate;

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

That question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Thursday, March 4, 1976

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 9:00 a.m. to consider the presentation of the Dairy Farmers of Canada.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Lafond, McDonald, McElman, McGrand, Michaud, Molgat, Norrie and Yuzyk. (10)

Witnesses:

Dairy Farmers of Canada:

Mr. T. A. McCague, President;

Mr. Kenneth McKinnon, Vice-President;

Mr. Pierre St-Martin, Quebec; and

Mr. Régean Quevillon, Quebec.

Also present but not heard:

Mr. Charles Quaile, Alberta;

Mr. Arnold Edy, Manitoba;

Mr. W. H. Sherwood, New Brunswick;

Mr. David King, Ottawa; and

Mr. James L. MacWilliams, Prince Edward Island.

Canadian Federation of Agriculture:

Mr. David Kirk, Executive Secretary.

Mr. David Kirk read a Brief on behalf of the Dairy Farmers of Canada.

The witnesses answered questions of the Committee.

At 9:55 a.m. and upon Motion duly put, the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, March 4, 1976

The Standing Senate Committee on Agriculture met this day at 9 a.m. to consider the presentation of the Darry Farmers of Canada.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, I want to welcome this morning the representatives of the Dairy Farmers of Canada. I have had an opportunity to glance through their brief, and I know they have a number of problems they want to bring to our attention.

We appreciate the fact that you are here this morning, gentlemen, to present your brief to the Standing Senate Committee on Agriculture. It will provide us with a *Hansard* record and it will give information in a formal way to senators so that we may pick it up from there and, it is to be hoped, do something that may be of benefit to the Dairy Farmers of Canada. It may also react to the credit of the Senate.

I must apologize for the fact that there is no translation system here this morning. I might explain that there are two committee rooms that have translation facilities installed on a permanent basis, but when the Senate requires translation facilities in a third room the equipment has to be provided by special order, and I believe it comes from Montreal. Since this committee meeting was arranged at short notice, we are faced with no translation facilities. However, I believe there is a French Hansard reporter here this morning so if somebody speaks in French, even though we may not all understand the full purport of what he says, his words will form part of the record.

Honourable senators, I wish to welcome the President, Mr. T. A. McCague and the other representatives of the Dairy Farmers of Canada. These people, whom he may wish to name, represent various provinces. With him also is Mr. David Kirk, Executive Secretary, Canadian Federation of Agriculture, who, I believe, acts as Secretary to your organization.

Mr. T. A. McCague, President, Dairy Farmers of Canada: Thank you very much, Mr. Chairman. We are very glad to be able to appear here this morning and we appreciate very much the fact that you have been able to receive us. We also appreciate the fact that so many senators are present with you this morning.

I would like to introduce the people with me. On my right is Mr. David Kirk, Executive Secretary, and to his right, Mr. Kenneth McKinnon, Vice-President, Dairy Farmers of Canada. He comes from Ontario. Then there is Pierre St-Martin, from Quebec; Charles Quaile, from Alberta; Arnold Edy, from Manitoba; W. H. Sherwood, from New Brunswick; Mr. Réjean Quevillon, from Coop Fédérée of Quebec; David King, of the Dairy Farmers of

Canada office; and James L. MacWilliams, from Prince Edward Island

Mr. Chairman, we have a short brief here that I will ask our Executive Secretary to read to you. It is only about three pages long. When Mr. Kirk has finished reading this, I imagine you will have some questions for us, and somehow among the group of us we will try to answer any questions you may have.

Mr. David Kirk, Executive Secretary, Canadian Federation of Agriculture: Thank you, Mr. McCague. I should explain that we sent to all the members of the Standing Senate Committee on Agriculture a copy of the policy statement that was produced at our annual meeting. For any senator who does not have that with him, we have copies. However, we do not intend to read the whole statement to you this morning, you will be happy to know. We have prepared a few notes consisting of two and one half pages and I will read them, because that will be faster than anything else to get us started, if you will permit me.

The purpose of these notes is to supplement the policy statement, not to add any additional policy, but really to attempt to make as clear as we can what is involved in our policy requests, as opposed to the more extensive examination of the argument and philosophy, in order that you will know what we are asking and why, with, we hope, some precision. We wish you to be quite clear of what we are requesting of the government this year in respect of 1976-77 dairy policy from three points of view: (1) impact on producer returns; (2) impact on prices to consumers; and (3) impact on government expenditures.

We also with to touch on two other major policy matters: (1) a long-term approach to dealing with the utilization of Canada's skim milk powder surplus in food aid; and, (2) a longt-term approach to the role played by the Canadian dairy industry in meeting Canadian milk and milk product requirements.

In the impact on producer returns, a severe contraction from current rates of production is required in 1976-77 in order to match supply with market requirements under the supply management program. Correspondingly, producer incomes will be reduced. The production adjustment is accepted by producers as their responsibility. We would like to make that quite clear. What is more difficult to accept is that at the same time it is proposed by the government to sharply reduce its financial commitment to the program, compounding the income problem. We are asking the government to reconsider its announced 1976-77 spending limit.

In the following discussion it should be understood that the present target level of producer returns—which is a very important figure in this policy business—for manufacturing milk under the national stabilization policy, is made up of: (1) direct payment to producers, which is presently \$2.66; (2) market yield of butter and powder from 100 pounds of milk and 4.2 pounds of butter at the \$1.03 price yields \$4.33; and eight pounds of powder at the support of 64 cents, yielding \$5.12; for a total of \$9.45. Then there is in the setting of this set of figures an implicit processing margin, which is at \$1.09 per hundredweight of milk. Deducting that from the \$9.45, gives the producer yield from that, in the amount of \$8.36, which yields \$11.02, which is the official target level of returns under the stabilization program. That is how that system works. The actual producer returns, what they get to keep, are reduced from this also by the levy imposed to meet losses on milk powder exports. That levy is now at 65 cents per hundred pounds.

Dairy Farmers of Canada is asking for no increase in the overall target level of producer returns from manufacturing milk except a modest increase of approximately four per cent related to cost and inflation factors as provided under the federal government's own returns adjustment policy, so that is where that comes from. This amounts to about 40 cents per hundredweight of manufacturing milk, to bring the target level to \$11.42.

Actual producer return—that is, after levy for meeting costs of export of milk powder—will even under the above policy not in fact rise, in all likelihood, since the levy for losses on exports will increase to absorb most of the recommended increase in returns. That is our expectation. If Dairy Farmers of Canada recommendations for long-term milk powder commitments in food aid were met, this levy position could be substantially improved but not, probably, before the 1977-78 dairy year.

Impact on prices to consumers. Dairy Farmers of Canada emphasizes that the direct payments to producers have been established in the course of development of the national dairy policy. These payments permit prices to consumers of manufactured milk products to be substantially lower than they would otherwise be and are therefore in the nature of a subsidy to consumers.

The target level of returns recommended by Dairy Farmers of Canada involves retaining the present \$2.66 per hundredweight level of direct subsidy. Product prices would have to rise to yield to the producer a 40 cent per

hundreaweight increase in returns as shown by the formula. We are not declaring one way or the other on this at this time, but if the implicit allowance for processing costs must also be increased, required product price increases would be correspondingly greater. If the government adheres to its present policy of reducing the direct payments to producers by some as yet undetermined amount, but estimated to be 32 cents, thus reducing the payment rate to \$2.34 per hundredweight, then required recovery from product price will rise further because a further 32 cent per hundredweight would have to be recovered from market prices.

The following table sets out the increases in the price of cheddar cheese, and some combinations of increases for butter and skim milk powder to yield the same \$11.42 target returns at producer level.

You will understand, of course, that to get a given level of improved returns you have options as to how much you raise the butter price and how much you raise the powder price as a combination of the joint products from the milk. It can be seen from the table below how much higher price increases would have to be if the subsidy were to be cut as now planned by the government. We would think such increases would be in conflict with the Anti-Inflation Board guideline objectives. These calculations, incidentally, do not incorporate any assumed increase in processor margins. You can see those under our proposals to yield that 40 cents extra if all the increase, which we do not favour, were from butter, the price of butter will have to increase nine cents, to \$1.12. If all the increase were applied to powder, which we also do not favour, as the mixture is preferable in our opinion, the powder would have to increase five cents to 69 cents. If you split the yield between butter and powder, butter would have to increase by four cents and powder by three cents. The cheddar cheese, in any case, would have to increase by four cents. With the government position, with the reduced subsidy, the indicated increases, in order to achieve the target return under those various columns would be, rather than nine cents, 17 cents, or in the second column rather than five cents, nine cents, and in the third and fourth columns, rather than four cents and three cents, eight cents for butter and five cents for powder and instead of four cents for cheese it would be eight. These figures are not precise, as we are dealing in single cents per pound and you will

Option 1. DFC Policy Proposals (Target Price \$11.42) Subsidy @ \$2.66 per cwt.	Increase in Wholesale Price				
	All Increase from butter	All Increase from powder	Increase split butter & powder		Cheddar Cheese
			4	3	4
(price increase of 40¢ per cwt)	(to 112¢)	(to 69¢)	(to 107¢)	(to 67¢)	(to 110¢)
2. Government Present Position (Target Price \$11.42) Subsidy @ \$2.34 per cwt. (price increase of 72¢ per	17	9	8	5	8
cwt)	(to 120¢)	(to 73¢)	(to 111¢)	(to 69¢)	(to 114¢)

Conversion factors: 4.2 pounds butter and 8 pounds skim milk powder per cwt. of milk 9 pounds cheddar cheese per cwt. of milk.

appreciate that to make the figures exact we would have had to go into fractions of cents per pound.

Impact on Government Expenditures: The government has announced it proposes to limit its expenditures for government subsidy on manufacturing milk to \$262 million next year. This figure is a reduction from \$275 million plus in 1975-76. The \$262 million is to cover the costs of storage and interest charges on stocks of product held, plus direct subsidy payments to farmers. Owing to very large current holdings of milk powder, resulting from disastrous world market conditions, these costs are estimated to reach as high as \$40 million in the 1976-77 dairy year. If this were the case, \$222 million would be left for direct subsidy payments, and this is what works out to \$2.34 per hundredweight. That is how that rate is arrived at, based on estimated requirements of 95 million hundredweights of milk. That is five million hundredweights less than the requirements based upon which the \$2.66 is being paid this year. It is being paid on 100 million hundredweights.

The Dairy Farmers of Canada request is that the direct payment be set at \$2.66 and that, in addition, funds be provided to meet storage and interest charges. This would yield an additional cost to the government of approximately \$30 million. It will be noted that the \$275 million 1975-76 figure, expressed in 1976-77 dollars, based on a 10 per cent inflation rate, is \$302 million; so that the Dairy Farmers of Canada request does not represent an increase in expenditure in real terms.

The attached appendix of explanatory calculations is intended to give members an idea of how these estimates are arrived at from computer model calculations. The model we use—it is the only one we have—is the one put out by Agriculture Canada. When I say "we have," I mean that we have access to for some purposes; it is not our model.

Long-term milk powder use in food aid. This proposal is described in our policy statement. Suffice it to say here that a detailed proposal will be in your hands in a short time, and we very much hope it will attract the fullest support from members.

We will be sending to all members of this committee very shortly, probably by the end of this week, a detailed proposal for a very ambitious major commitment of food aid for 10 years in the amount of 100 million pounds a year of milk powder, and we are describing in some detail how, if such a forward commitment is made, an extraordinarily useful and desirable use could be made of this powder in developmental programs internationally, provided we get the long-term commitment. We think that apart from perhaps helping us to some extent, this is a very valid proposition, and we hope some of you will look at it and agree with it, because we take it quite seriously and we have put quite a lot of time into exploring this concept, including internationally.

The announcement by the government last November 4 that it proposed to increase imports of milk products gradually and systematically over the years to the point where the percentage of Canadian requirements from domestic production would be increased from its present 5 per cent to "not less than 10 per cent" came as a great shock to the industry. Such a policy decision is contrary to what we have most certainly considered to be the spirit, if not indeed the letter, of the national supply management agreement—which agreement the old supply and management program operates under. The parties to that agree-

ment, as you probably know, are all the provincial governments, the producers and the federal government.

Furthermore, it places the industry in a position of uncertainty and insecurity as to future government intentions on imports. We do not think, for reasons outlined in detail in our policy statement, that such a long-term policy approach is fair or tolerable, and we very strongly oppose it.

We appeal to all members of Parliament to support these recommendations for maintenance of income to milk producers and support of the productive base of the dairy industry of this country. It must be recalled that income to milk producers has also been severely eroded by low beef prices.

Mr. Chairman, that is what we propose to put before you.

Mr. McCague: If there are any questions, we will be glad to answer them.

The Chairman: I know that some here have another engagement at 10 o'clock and therefore time is limited. I will not ask any questions myself at the moment. I see that Senator McGrand would like to have the floor.

Senator McGrand: Only about two years ago there was a shortage of butter in Canada. At that time, the only two countries in the world that exported butter were New Zealand and the Republic of Ireland. What happened in those two years? Has France an overproduction of dairy products, as well as Holland, Germany and Great Britain?

Mr. McCague: There is a world surplus of milk powder. Because we were importing at that time about 50 million tons of butter, the policy of the Canadian government was to increase production. For that reason, just about every province in Canada had an incentive program to encourage production. As you know, it takes about three years from the time you get a calf until you have a milking animal. Production was encouraged, resulting in overproduction. We have a slight overproduction at the present time. At the same time, there is a worldwide surplus of beef, resulting in increased dairy herds, because the old cows are not being sent to slaughter.

We think this situation can change very quickly. Our program is not to overproduce. We have the machinery set up to cut down our production in the next dairy year, starting April 1, bringing it in line with our domestic requirements.

Senator McGrand: Are you saying that the French, German and Dutch markets, European markets generally, are saturated with dairy products?

Mr. McCague: Not with dairy products, senator; with skim milk powder. As you know, there is a surplus of skim milk powder resulting from butter production. Skim milk is a byproduct of butter production, so it is dried and becomes skim milk powder. Where there is a low consumption rate of butter, as is the case in the United States, there is little skim milk powder left over, practically none left over. The United States consumes about half as much butter per capita as we do. For that reason they do not have a great deal of skim milk powder left over. France is a high consumer of butter, although the price of butter is much higher than ours. The French consume more because, theoretically, they are better cooks than we are, using more butter in cooking.

Mr. Kirk: there is also a basic trend to increase butter production in relation to butter consumption because of the shift, which is far from completed in Europe, from farm separated cream to the delivery of the whole milk. The skim is not fed on the farm. That is an automatic technological factor that results in increased powder production, relatively, as we go along.

Senator Molgat: In relation to the reply you just gave on overproduction, you say there is a program beginning in April to bring production in line with consumption. Does that program relate to all dairy products, or just butter production?

Mr. McCague: It is basically aimed at milk production.

Senator Molgat: And how soon will the present heavy stocks be exhausted?

Mr. McCague: You are referring to present stocks of milk powder?

Senator Molgat: Yes.

Mr. McCague: Perhaps Mr. McKinnon can reply to that.

Mr. Kenneth McKinnon, Vice-President, Dairy Farmers of Canada: I think the problem related to skim milk powder stocks goes beyond the question of production in Canada. It is, as was indicated earlier, a worldwide problem. I might just illustrate that by pointing out that in recent years, worldwide consumption of skim milk powder has been of the order of 500 to 700 million tons per year, whereas in the most recent year it dropped to something of the order of 350 million tons, which is almost half. Those are the figures in terms of sales. We do not have the consumption figures. Those care the international sales figures.

For some reason, there would seem to be a drastic reduction in the purchase of skim milk powder on a worldwide basis by many of the importing countries. Until we can reverse that trend, unless consumption is cut dramatically in many countries of the world, we will continue to have a problem with skim milk powder on the world markets for some time.

I think it would be impossible for Canada to correct that situation by itself, if that is the sort of question you are asking. What we are attempting to do, of course, is to match our domestic production in Canada for butterfat; that is the object of our supply management program. However, in so doing, we bring forward a substantial amount of skim milk powder that has to be sold on the world markets. I do not know whether or not that answers your question.

Senator Molgat: What I was wondering was how soon we might expect the heavy storage charges to go down drastically, or possibly disappear.

Mr. Kirk: Not neary as fast as we would like. It is a tough situation.

The Chairman: You need your long-term program to help, too, I presume.

Mr. Kirk: We think our long-term program has advantages in that respect, as well as being in itself a valuable proposition.

Mr. McKinnon: Perhaps I might add to that answer. I would say that the producer organizations across Canada

are prepared to look at a higher level of levy, as we call it, for exporting that powder in the coming year. The question that is difficult to answer is how much we can move in international circles. Even for feed purposes there is only a very limited amount of the market that is available. Again, I think it will be impossible to move that surplus in a short period of time. Even if we were prepared to put up the money to do it and get it out, there just is not a market for it, apparently, at this point in time. We have the Canadian Dairy Commission and other government agency people around the world looking for skim milk powder markets, and if they became available we would move into them. However, if we try to put too much on either the feed market or the skim milk powder market in international circles in this year, even at substantially reduced prices, one sort of counteracts the other. If you hold prices down they hold off and do not buy, which is what has been happening this year. It is a matter of judgment how much you can move anywhere at any price.

Senator McDonald: Hasn't the European Economic Community been virtually dumping skim milk powder on the world market?

Mr. McCague: That is correct. The European Common Market is really a tight organization. They have had an incentive program to produce a lot of milk in all those countries. Italy is the only one that is not producing more milk than it needs. This has complicated the situation.

Mr. Kirk: They set an official subsidy rate that determines at what price they can sell internationally.

Senator McDonald: I was interested in your comment on this announcement of November 4 to increase imports from 5 per cent to 10 per cent. I presume you have met with the Minister of Agriculture and a committee of the cabinet. What do they give as their reason for wanting to import more dairy products into Canada, in view of Canada's ability to produce?

Mr. McCague: We never did get a satisfactory answer to that question. Mr. Jamieson, the Minister of Industry, Trade and Commerce, made an announcement in the house, I understand, to say that they will not increase imports for this coming year, so this program will not be followed.

Mr. Kirk: Last April, when the policy was announced, there was a strange sentence in the press release that said something about long-term contracts. We questioned the government intensively about that and they would give us no information about what it meant even. This is what they say is their prior indication to us of their intention. Our problem was, were we supposed to tell our producers what the government intends before the government was willing to state it clearly itself? You see, we had our worries. They have stated it clearly now, but they have given no real explanation whatever. Apart from the monetary advantages to the government of reducing the amount of milk produced, which are clear, under the subsidy program, the only reason we can think of, that is at all apparent, is that the government would like to use butter or other milk product imports, as a concession that they might give in the GATT negotiations, in the overall context of the agricultural negotiations in the GATT. We do not think this is either fair or necessary. Our balance of trade has gone against us, import and export, but that is the only thing we can think of. In fact, they have not told us why.

Senator McDonald: You have outlined the price of whole milk. Producers are now receiving \$11.02. You are asking for \$11.42. How does that compare with the world price of whole milk, or is there such a thing as a world price?

Mr. Kirk: There is no such thing as a world price in whole milk. There are only product prices, but it is very significantly above, in terms of price.

If the world prices for milk products do not yield \$11.02, or anything like it, they are very depressed.

Senator McDonald: You can import butter or milk products cheaper than it costs to produce them?

Mr. Kirk: That is right. We could. We do not know with how much security over time, but right Now we certainly could.

Senator McDonald: With the cost of producing a pound of milk today, how much margin of profit is there in this \$11.02 that you received last year?

Mr. McCague: According to the formula that was devised by the Canada Department of Agriculture, this price was to give a farmer, with an average-sized herd, a fairly decent income. Actually his returns were a little bit more than the average worker—that is, the floor sweeper—but a little less than a supervisor. So, in other words, this is not giving the farmer a great income. The reason that it is higher than world prices is because labour of all kinds in Canada receive a much higher wage than the average world price. This was an attempt to give our farmers a decent wage, to keep them in business.

Senator McDonald: You mentioned an average herd. What would be an average herd? How many milking cows would a farmer need in order to maintain his wife and his family and, say, one hired man?

Mr. McCague: What number of cattle is this based upon?

Mr. St-Martin: Mr. Chairman, it is an average of 33 cows.

Senator McDonald: 33 milking cows?

Mr. St-Martin: 33 milking cows, yes. This is based on the best records we have available. That is the average. It could not be set as a record number but it is a lot better than it was a few years ago anyway.

If you go back only ten years, the average per herd was 80,000 pounds of milk a year. Now it is close to about 200,000 pounds a year. So, there are farmers who are producing more than others but the dairy industry as a whole has made tremendous improvement.

Senator McDonald: In a cow's capacity to produce milk?

Mr. St-Martin: Yes.

The Chairman: Mr. McKinnon, you wish to make a few comments?

Mr. McKinnon: Yes, thank you, Mr. Chairman. As well as replying to some of the comments and questions which were asked by Senator McDonald, there are two or three comments I would like to make.

First of all, in relation to your question about importing dairy products into Canada being cheaper, I think it needs to be recalled that as little, I believe, as three years ago the International skim milk powder price was above the Canadian price. There is nothing to suggest that might not return some time in the future. So, the stability of planning a food supply situation and dairy products in Canada, based on international markets, is not very secure. That is why we have urged the government, and the government has agreed over time, to produce our dairy product requirements from Canadian sources. We support that very strongly.

Senator McDonald: Please do not take from my questions that I support a program of increasing the importation of agricultural products of any kind that we can produce in Canada. That was not the intention of my questions. It is already necessary for us to import many products which it is impossible to produce in Canada without, in my view, importing products which we can and do produce, and produce well, in Canada.

Mr. McKinnon: I just wanted to make that point, sir.

In relation to our document and the points raised about the \$11.02 price, I think there needs to be some clarification. I do not believe there are any producers in Canada receiving \$11.02 for industrial milk. First of all, it should be made clear that the formula being used to come to that \$11.02 target price is the formula used by the government. We do not know all the reasons and implications and figures used to arrive at that price.

What we have been talking about—and this is in relation to your question—is that a proposal was made by Dairy Farmers of Canada for an indexing of the formula system, but the government did not use it. That should be made clear. Our request was higher than \$11.02, but even in the government's indexing formula, with the kind of return they talked about, we do not get that. So when you ask if that is a profitable return, first of all, the answer is that we do not get it. Second, you have to bear in mind that we are looking at averages. There are probably some dairy farmers who would say they have a reasonable return at \$11.02, or close to that figure; there would be others who would not say so. It depends on their size and efficiency, and many other factors. But our figures were put together on averages.

Senator McDonald: I am not clear how you arrive at the \$11.02. First of all, you have "direct payment to producers, \$2.66." Is that the federal government subsidy?

Mr. McKinnon: That is federal government, yes.

Senator McDonald: Then you have, "4.2 pounds of butter x \$1.03." Is that the market price?

Mr. Kirk: That is the support price of butter at the wholesale level.

Senator McDonald: What is the price of butter today to the retailer?

Mr. Kirk: It is \$1.03 plus the retail margin, which varies anywhere from five cents to ten cents.

Senator McDonald: But there is no subsidy on that price; that \$1.03 comes out of the consumer.

Mr. Kirk: That is right.

Senator McDonald: Then you have, "8 pounds of powder x 64 cents." That is also a price set, but a good deal of that is in public storage.

Mr. Kirk: Right.

Senator McDonald: What does, "less implicit processing margin" mean?

Mr. Kirk: The government, in its Order in Council under the Stabilization Act, which is the basic authority for this program, provided first of all for this \$2.66. Then the government says, "We are going to offer to purchase products—butter and powder—at certain prices." They say the target level of returns to producers under that combination of programs is \$11.02. It is clear that in order to derive the \$11.02 figure from that, they have to assume some amount of money which goes to processors. That is why it is "implicit": they do not state it; it is implicit in the calculations.

The Chairman: I have a question I should like to put, but I do not require the answer today, necessarily; you can send me a memo. It is just that people in the business have asked me if there is any place for a large consumer subsidy on whole milk in Canada from a nutritional standpoint, bearing in mind the fact that we hear so much about the evils of soft drinks and so on. Would such a subsidy help you?

Secondly, what role can be played by advertising which you would pay for yourself? I will not take up the time of the committee by having you answer those questions now. I would simply like to have them answered at some time.

Senator Yuzyk?

Senator Yuzyk: I just want to follow up on the milk powder situation. As far as the dairy industry can see, it will be developing a considerable surplus for a number of years, and therefore you are faced with the problem of the use of skim milk powder. Since it is not easy now to sell it on the world market, we should be developing our own uses, or various uses, for skim milk, and other products, too. Are you working on that problem?

Mr. Kirk: We think that should be done. One of our positions is that we are very anxious to examine, more aggressively, and in a more detailed way, the potential for the sale of milk powder. In addition, we have this proposal for a long-term commitment of 100 million pounds a year. If that were made a firm commitment for ten years, by the end of that period that would absorb probably the bulk of our milk powder surplus, for export. The beauty of it, and the reason we should do it, which we think is very important, is that we are one of the few countries geared to a planned program for producing this product in a way that we can project and plan for, and have a mechanism for using it.

One of the real problems in nutritional and development programs in deeply disadvantaged communities in the developing countries is the difficulty of setting up programs that can be carried on with assurance for a period of time long enough to make them work. Right now there is a great deal of powder available for food aid, but where can these people set up a program and know they will have it for ten years? It takes ten years todo a real job. We say we should make such a commitment.

Senator Yuzyk: Don't you have such a commitment, according to the national supply management agreement?

Mr. Kirk: We have a planning program that would permit us to make such a national commitment with assur-

ance. It is the international commitment we think should be made.

Senator Yuzyk: Just one more question. Are you working with other industries to make better use of milk and milk products?

Mr. St-Martin: Well, senators, there are two fields. We are working right here, in Canada, first of all, to improve our two percent milk by adding solids, non-fats, and have two-ten milk, which is in great demand in other countries, so that we will use a lot of skimmed milk powder right here in Canada. Our market was better a few years ago than it is now, so we can improve that market. Skim milk is an excellent source of protein.

There is also another point: we can increase cheese consumption, which uses whole milk in its manufacture. This will be another source of using skim milk. The danger now is, though, that because we are now in a difficult position, we may strengthen the industry too much; then the programs will be available to the industry, and there is the chance that not enough will be left over to be viable. So that is what we are looking at.

The Chairman: Time is bothering me. I understand Mr. McKinnon would like to reply to the questions I put. If it is agreeble to members of the committee, I will take Mr. McKinnon's reply, then I will ask Senator Michaud for a few words, and that will be it for the morning.

Mr. McKinnon: I am not going to try to answer your questions completely. I will just make a couple of comments. First, let me take the question of whether there is an argument to be made for subsidization from a nutritional point of view. I think that is a very big question, and I am not going to try to answer it completely, except to say that I do not think we would like to argue about it. I think probably there is. I would like to point out three things, however. The first is that there is now a very substantial consumer subsidy on skim milk powder, to the extent of 34 cents a pound. That is in relation to Senator McDonald's comment earlier. There is no subsidy on butter, but there is on instant skim for human consumption. People in the fluid milk market do not like that; they feel that it cuts into fluid sales. On the other hand, I think we need to register our concern about the five cents a quart consumer subsidy put on fluid milk about two years ago and subsequently taken off again within a few months. Our objection was not to the subsidy itself; it was because it was short term and it was because of the way it was taken off. It very drastically affected the consumption of fluid milk in Canada, we believe. All I am saying is that if there is ever again to be a consumer subsidy on fluid milk or any kind of dairy product, we do not want it to be short term and we do not want it put on and then taken off again. It is disastrous for the market.

One other point, on advertising. There is a considerable amount of advertising done, promoting our products, and I think that producers across Canada believe in advertising and I think you will see our expenditures in this area expand, but we are a long way from competing with the other beverage people in the soft drink and liquor sales business.

Senator Michaud: Mr. Chairman, I would like to transmit to the Quebec representatives present what you said at the outset, and then I would invite them to make whatever comments they might feel like making.

Mr. Quevillon, Mr. St-Martin, Mr. Chairman Argue explained at the beginning of the meeting the reason why we do not have any simultaneous interpretation this morning. It is because we have not received an adequate advance notice of this meeting. To echo Senator Argue, I would say that we are very happy to receive you here this morning, and if you have any comments, feel free to make them in the language of your choice, either in French or in English. Those comments will be recorded in the "Proceedings" of this Committee by an official stenographer of the Senate.

Mr. Pierre St-Martin: Thank you very much, Senator. Thank you very much, honourable senators, for your comments. As you can understand, I did make some comments in English but perhaps, if Mr. Quevillon has some to make, he might be glad to do so in French.

Senator Michaud: Mr. Quevillon, do you have any comments?

Mr. Réjean Quevillon, Quebec representative: Thank you very much. I think I must, on behalf of Mr. Roland Pigeon, President of the Federated Co-operative, thank very sincerely the Senate for accepting to receive us here, we, the representatives of the milk products producers of Canada. We are confident that the Senate will do its best to solve the problems we are experiencing now. I thank you very much for listening to us.

The Chairman: Thank you very much indeed, gentlemen. I shall now accept a motion to adjourn. Thank you once again for your excellent presentation.

The committee adjourned.

Publié en conformité de l'autorité du Sénat par l'Imprimeur de la Reine pour le Canada

En vente au siège d'Information Canada, Ottawa, Canada















FIRST SESSION—THIRTIETH PARLIAMENT 1974-75-76

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 31

MONDAY, MAY 10, 1976

Annual Submission of the Canadian Federation of Agriculture

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman.

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

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McNamara
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Molgat
Norrie
*Perrault
Sparrow
Williams
Yuzyk—(22).

(Quorum 5)

^{*}Ex officio members

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate;

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

That question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Monday, May 10, 1976

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day, at 2:00 p.m. to consider the Annual Submission of the Canadian Federation of Agriculture.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), McDonald, McGrand, McNamara, Michaud, Molgat, Norrie and Yuzyk. (9)

Present but not of the Committee: The Honourable Senator Phillips.

Witnesses: Canadian Federation of Agriculture:

Mr. Charles G. Munro,

President;

Mr. Roland Pigeon,

1st Vice-President, (Quebec);

Mr. Dobson Lea.

2nd Vice-President, (Alberta);

Mr. R. Barichello,

British Columbia Federation of Agriculture;

Mr. Howard Falkenberg,

Unifarm;

Mr. W. Marshall,

Saskatchewan Federation of Agriculture;

Mr. C. Hookenson,

Saskatchewan Federation of Agriculture;

Mr. A. E. Hall,

Manitoba Farm Bureau;

Mr. Gordon Hill,

Ontario Federation of Agriculture;

Mr. Ralph Barrie,

Ontario Federation of Agriculture;

Mr. A. Guérard,

L'Union des Producteurs Agricoles, Québec;

Mr. Robert Acton,

New Brunswick Federation of Agriculture;

Mr. A. E. Lewis

Prince Edward Island Federation of Agriculture;

Mr. J. A. McCague,

President,

Dairy Farmers of Canada;

Mr. William Daman,

Canadian Horticultural Council;

Mr. David Kirk,

Executive Secretary, Canadian Federation of Agriculture.

Mr. Munro gave a summary of the CFA's Submission.

The witnesses answered questions put to them by Members of the Committee.

At 3:40 p.m. the Committee adjourned to the call of the Chairman. $\ensuremath{\mathsf{Chairman}}$

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Monday, May 10, 1976

The Standing Senate Committee on Agriculture met this day at 2 p.m. to consider the annual submission of the Canadian Federation of Agriculture.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we are indeed delighted to have with us once again the representatives of the Canadian Federation of Agriculture, who are meeting with us at their request to hear their presentation. I would imagine that many, if not all, members of the Canadian Federation of Agriculture present realize that the Standing Senate Committee on Agriculture is quite active. We have had in progress for some time a study of agriculture in Eastern Canada, with particular reference to New Brunswick. We carried out a study last year with respect to crop insurance and made recommendations, most of which we believe were accepted. However, it was then decided to curtail funds, so we are not sure on balance quite how we came out, but at least we were off to a very good start. We will be meeting tomorrow to hear from the Farm Credit Corporation and DREE, so although we might not always recommend precisely the same things to precisely the same people we are probably tending in the same direction.

Having had an opportunity to glance over your brief, I congratulate you in advance on its contents. It is a tough one—I mean toughly worded, but I believe it is properly worded. In my opinion, there is a great misconception abroad with regard to prices of agricultural products. I believe that the farmer is having a difficult time today by way of the price-cost squeeze. The prices of agricultural products in general have tended to decrease during the last few months while the costs are still increasing at a very rapid rate. While some may say it is wonderful that the food component of the cost of living indicators is not increasing as fast as it once did, or is now going down, which they believe to be helpful, those of us connected with agriculture realize that these are difficult days. If I may be allowed to forecast, I would say that the future will be more likely to be more difficult than less difficult.

With those too many words I wish to say, Mr. Munro, that we are delighted to have you here again. You have an impressive delegation with you, and I will leave it to you to make your opening statement and perhaps introduce the members of your delegation. Mr. Charles Munro.

Mr. Charles Munro, President, Canadian Federation of Agriculture: Thank you, Senator Argue. We do appreciate the opportunity to meet with the members of the Standing Senate Committee on Agriculture once again, and we assure you that we do value these opportunities. We do have representatives here from coast to coast in Canada—we have nine provinces which are significant in agricultural production—and I will take this opportunity to let you know just who they are. On my right is Mr. Roland Pigeon,

1st Vice-President of the Canadian Federation of Agriculture. Next to Mr. Pigeon is Mr. David Kirk, our Executive Secretary. Next is Mr. Dobson Lea, 2nd Vice-President of the Canadian Federation of Agriculture; Mr. Guerard of the Union of Agricultural Producers of the Province of Quebec; Mr. Falkenberg from Alberta; Mr. Barechello, President of the British Columbia Federation of Agriculture; Mr. Bert Hall, President of the Manitoba Farm Bureau; Ira Lewis, Vice-President of the Prince Edward Island Federation of Agriculture; Bill Daman of the Canadian Horticultural Council; Mr. Acton, President of the New Brunswick Federation; Earl Maberley from Nova Scotia; Gordon Hill, President of the Ontario Federation of Agriculture; Bill Marshall, Vice-Chairman of the Saskatchewan Federation; Clarence Hookenson, President of the Saskatchewan Federation of Agriculture; Jim McCague, President, Dairy Farmers of Canada; and Ralph Barrie, Vice-Chairman of the Ontario Federation of Agriculture. We also have a number of individuals present from our staff in Ottawa.

That, Mr. Chairman, is the delegation which is present. We met with the Cabinet and the Prime Minister this morning. We trust that, if they have not done so already, the members of the Standing Senate Committee on Agriculture will read our brief as there is much material contained in it which we are anxious that you understand. I will read a short text of our presentation which is now before you for examination. In this brief verbal opening statement I will attempt to focus the central thrust and intent of that statement.

We in the federation fear that the great preoccupation evident in Canada today with food and agriculture policy, and the calls for a "national food policy," as if there weren't one now, is in danger of yielding more heat than light, and more sterile debate than constructive and systematic progress, to new farm and food policy development in this country.

We submit there is now a highly developed structure of agriculture and food policy and program in this country that, broadly speaking, serves the public well. The basic elements in this policy structure need to be better understood.

We submit that there are major areas for progressive development of improved policy and programs which are identifiable both as to the subject and as to the issues involved. These need systematic study and attention. We wish to explore with you how better to do this. In our brief we identify these major areas; international grain marketing policy, to which the issue of food reserves is closely linked; land use policy; agricultural research; policy related to agricultural stabilization and income assurance; transportation policy, including notably the grain handling and transportation system; energy policy in its agricultural implications; environmental policy in its agricultural implications; farm credit; the costs of food distribution.

We ask why there is such a great difference—I think the Food Prices Review Board might have done something on this—between the farm and the retail prices of food. Have we got the right system of distributing food in this country? Do we have the least cost structure? Another area which we do not explore in our brief, and which I think is extremely germane, is what effect tariffs have on Canadian agriculture. My understanding is that Canada has the lowest tariff structure of any agricultural country in the world. We are concerned about what our negotiators are doing in GATT. Are they trading away some of our rights in order to sell industrial products in the world?

We believe that the high level of public preoccupation with food prices and food policy is both understandable and desirable. What is not so desirable is the extent to which that preoccupation is resulting not in better understanding of our system and the problems and issues involved, but instead in a largely sterile and distorting debate about marketing boards. The charges are made about the granting of monopoly powers to the farmers—powers which do not exist outside a framework of government control and surveillance. Abuse of such powers against the consumer interest that do not exist either is implied. This would almost seem at times to be leading to the use of the term "marketing boards" as a description of our entire agricultural system. This, of course, is a vast distortion which greatly needs correction.

May I conclude, Mr. Chairman, with an observation not featured in our submission but which is nevertheless a matter of great importance, though hardly a new discovery? I refer to the critical importance for agricultural policy of the coordination and reconciliation of regional policies and objectives. I refer also to the difficulty of such reconciliation and coordination. We do not underestimate that difficulty, nor do we wish to overstate the federation's capabilities in this area. Nevertheless, we believe we have an important and useful role to play. How useful we can be will depend not only on ourselves, but on the government's willingness to provide to our organization an active and recognized role in the process of federal-provincial consultation. This is now done by the government and ourselves to a degree, we appreciate, but we do think that much improved procedures and processes in this respect are possible and should be explored.

That, Mr. Chairman, is the extent of our opening statement. I will not call upon the members of the federation to give individual presentations, but perhaps in the discussion they will come in with some points which they think should be made.

The Chairman: Thank you, Mr. Munro. If I may be pardoned by the members of the committee, I will myself ask the opening question. We will then follow the pattern of having one, two or three brief questions from each member of the committee who wishes to ask questions, and we will pass from one to the other so that we may all participate. I understand, Mr. Munro, that you have to leave at about 3.20 p.m. as you have another meeting at 3.30.

The question I ask may not be precisely on the brief itself, but it is something that troubles me a great deal as a grain farmer from Western Canada. I notice that during the last few weeks there has been a tremendous drop in commodity prices for grain in the world. There has been a very large drop in the Wheat Board's selling price: from the top of my head, perhaps \$2.50 a bushel on Durum, and perhaps as much as \$1.50 a bushel on wheat. We see prices

of agricultural commodities being sold on the commodity market falling at a very rapid rate. I see from the brief that you are on the side of an international grains agreement. We are all sort of on that side.

It seems to me that there may now be an opportunity in the United States for an agricultural organization such as yours to make contact with those elements in the United States that would like to have a central marketing board, that would like to have something similar to our system.

Perhaps I am naive, but I think you might have some effect in helping to bring that about, as we might also, as parliamentarians, in our contact. It seems to me that if the United States and Canada would cooperate in the export markets of the world to try to bring about some stability, that cooperation by our two countries, together with other countries which have a wheat board, might be very important. I would appreciate any general comments you might have on that very broad question.

Mr. Munro: May I open this up, Mr. Chairman, and inform you that we do have active participation with farm organizations in the United States. The major one that we do not have real active participation with right now is the American Farm Bureau, which is very close to the present administration in the United States. Our most active role is with the National Farmers Union in the United States, which thinks very largely the same as we do here in Canada. Their president is president of the international federation from which position I have just retired. We have had a very active role internationally in developing policy and in impressing upon the government of Canada that we need international commodity arrangements with minimum and maximum levels in grain.

The National Association of Farmer Co-operatives in the United States is also very actively working with us in this area. So I would say that we do have a very active ongoing role there. Where we fall apart with the American Farm Bureau is that they support thus far—I am not sure that all the members do, but the official stance supports it—the position that the international grain traders shall be the medium which handles the grain in the United States and should handle it in the world. We sharply disagree with that. We believe that we have the proper means in Canada. Mr. Kirk, would you broaden this a little further, because you have been chairman of our international commodity committee which has dealt with grains?

Mr. David Kirk, Executive Secretary Canadian Federation of Agriculture: Mr. Munro has pretty well described it. The National Farmers Union in the United States is very close, in commodity terms, to the wheat business. That has been their commodity, above all.

The Chairman: And they are a big cooperative.

Mr. Kirk: They are closely connected with the major cooperative grain handling system in the United States. They are a direct membership organization, as such. Their position is one for international commodity arrangements on a comprehensive basis for grains, not just a wheat agreement. One can argue about whether that is a feasible proposition, but that is their policy, that if it can be done it should be done on that basis, on a full grains basis.

The grain producers are organized in the United States. My general impression is that they are still, on the whole, thinking that one through. They are not quite clearcut on it, but they have participated in a number of our discus-

sions and we do not have flat-out opposition from the grain producers in this area.

One of the points that the farmers' union representative made to our last annual meeting was that under the relatively new grains support policy in the United States, with very low loan levels, the grain producers in the United States feel themselves much more directly affected. They fell much more exposed to what happens in international grain markets than they did during the long period of loan levels and the development of commodity corporation stocks. His view was that they will be much more interested from now on in an international grain stabilization policy than they ever were before, because they will feel much more exposed, and are much more exposed, to the international grain market situation than they have been in the past.

The National Farmers Union in the United States supports a grains arrangement system which involves minimum and maximum prices and quite a definite system of commitments on markets access. They want it tide down in quantitative terms. They are very old style in that way. The main area of difference in respect of policy within the international federation relates to the question of whether the agreement itself should provide for market shares, in a quantitative, defined way, under conditions of downward price pressure and surpluses, or whether it should be left in a less precise way for negotiation in the context of an agreement. That is the main difference internationally.

The Chairman: From glancing through the Congressional Record, it seems to me there are more members of the United States Congress now who are inclined to the way you people think than there were a year or two ago. I get the impression from my reading of the Congressional Record that there may be growing support for a better marketing system than has been in place to date.

Mr. Kirk: That is right.

Senator McDonald: I do not know whether you are familiar with an article that appeared in the Ottawa *Journal* of Saturday, May 8, but it is rather apropos your comments in your brief. I presume your brief was written before this article.

The article is headed: "Government Pins Survival Hope to Food Policy." That makes a farmer or ex-farmer shake in his boots. When you read the article, of course, it does not quite portray the headline. There is reference to marketing boards, especially marketing boards that are concerned with the marketing of one product only. It also deals quite extensively with the costs that are added to food prices between the farm gate and the consumer. The article seems to point out that if there is a culprit, then it lies somewhere in that chain. Yet, it comes out opposed to marketing boards. If the writer is opposed to marketing boards and is also opposed to the increase in prices that takes place in the chain from the farm gate to the consumer, the question then is: Who is going to process and distribute food produced in Canada at a price that will maintain a viable agriculture industry and which the consumers of this country believe is equitable? If it is not the marketing boards and if it is not the private sector, then

Mr. Munro: I have some able lieutenants with me. Mr. Hill, President of the Ontario Federation, dealt with this matter in our meeting with the Prime Minister and the cabinet.

Mr. Gordon Hill, Executive Member, Canadian Federation of Agriculture, Ontario: Mr. Chairman, I think this is an excellent question. We certainly drew this article to the attention of the cabinet this morning, if it had missed the attention of any of them. All this talk about lower cost food gives us a great deal of concern, primarily because the farmer seems to be the low man on the totem pole. Once it is determined that there must be a reduction in food prices to the consumer, it seems that all of that reduction has to come out of the farmer's income. None of the reduction seems to come out of the profits of the chain stores, the transporters, the processors, or the wages of the people who work in any of those areas. All of the reduction is passed down to the farmer, except in very occasional circumstances.

The only mechanism the farmer has to work against this is marketing boards. That is the only way the farmer has a voice in the price of his product. So we are very concerned about marketing boards and government policies directed at lowering food prices to the consumer.

One of the big questions that had been facing us is whether the Anti-Inflation Board is going to take over control of our marketing boards. I should point out that farmers are generally in complete support of the principles expressed by the Anti-Inflation Board, and are quite prepared to live within those guidelines. But they want the guidelines to be administered by teh agencies that are now in place, such as the National Farm Products Marketing Council and the CDC with respect to national marketing organizations, and in relation to provincial organizations through the provincial structures that the various provincial governments have set up. The name of the structure in Ontario is the Farm Products Marketing Board, and the names will vary from province to province, as well as with the different commodities being handled. However, they are all government agencies set up to scrutinize the actions of marketing boards.

We have been particularly alarmed at some of the statements that have been made by the vice-chairman of the Anti-Inflation Board, as well as by statements made in the previous capacity of that person as chairman of the Food Prices Review Board. The comment that was made by that person on previous occasions was that the success of the Anti-Inflation Board was going to be judged by its ability to control prices. That person has also said that the only villain the Food Prices Review Board was able to find in the food distribution system was the marketing boards.

When that person made the statement recently that the government was preparing regulations whereby the Anti-Inflation Board would now control marketing boards, we were very concerned. One of the questions we asked this morning was whether or not that statement was correct. We were told by the Prime Minister that the cabinet, at least, was not considering regulations that would put farm marketing boards under the Anti-Inflation Board, and I think that gave us a great deal of solace.

Senator McDonald: In many instances, according to the writer of this article, provincial governments have moved more quickly into the area of organizing the marketing of farm products than has the federal government. Have you any comments to make on that?

Mr. Hill: I think the specific reference in the article is to stabilization plans, and I think it might give some idea of

the competence of the writer when one recognizes that the federal government moved to a stabilization program in 1958, whereas the provincial governments only entered the field of stabilization within the last two or three years.

I think probably what the writer meant is that the federal stabilization program is fast becoming out of date and out of reality as far as markets and costs are concerned, and it is because of this that some of the provincial governments have moved into this area.

I think we should recognize that there is a difference in views between some of the provinces and the federal government as to what should be done and how to do it. There is a difference in jurisdiction, and each one likes to build and maintain their own little empire. As farmers, I think that is probably the way we view it.

I think there has been cooperation in a good many areas between the provincial departments of agriculture and the federal Department of Agriculture. No doubt it would be easy to find things they could not agree upon, but there are a number of areas where they do work fairly closely together, and I think we should not overlook that.

Senator McGrand: What control does your farm organizations have over marketing boards? Who nominates them and who appoints them?

Mr. Dobson Lea, 2nd Vice-President, Canadian Federation of Agriculture, Alberta: The general farm organizations have very little control over marketing boards. The control is exercised by the producers of the commodity for which there is the board. There are a number of other controls exercised on behalf of the consumers, by means of legislation and their not being able to have any control over imported products; there is the fact that minimums are allowed. For instance, in the egg business any consumer or small producer is perfectly free to produce eggs for himself, with quite sizeable flocks, which leaves him free to have an alternate supply.

Mr. Munro: Perhaps I could just supplement that. We really have little control over the price of the product through marketing boards. These boards are elected under provincial legislation. In the province of Ontario you must have 50 per cent of the voters and a two-thirds majority in order to have a board established under provincial legislation.

Senator McGrand: I do not understand that. What does the two-thirds mean?

Mr. Munro: Of the farmers voting; two-thirds must vote in favour.

Senator McGrand: Of an area.

Mr. Munro: Yes. One of the great problems is that too few commodities come under marketing boards with agency powers. Of grains, oil seeds, pork and beef, which make up 65 per cent of the Canadian agriculture, only one comes under a marketing board, and that is to sell it by public auction at the highest price. There are no agency powers. One of the great weaknesses of marketing boards is that they do not control enough of the product. Eggs, milk and broilers are about the only ones that come under it, and I would suggest to you that that, as a food basket, is a very small proportion.

Senator Norrie: Do I take it from what you said that you do not have any control over the amounts they produce?

Mr. Lea: For those producers who are within the control of boards there are quotas, but there are many producers who are not controlled by quotas.

Senator Norrie: How do they divide them up?

Senator McDonald: They are outside the board.

Mr. Lea: They are outside the board. They serve local markets; they provide produce for stores.

Senator Norrie: Does the marketing board have to deal with products outside the board too?

Mr. Lea: No.

Senator Norrie: But it can flood the market?

Mr. Lea: It can in certain areas.

Senator Norrie: Why is it so healthy to control the produce when we need it so badly in the world?

Mr. Lea: The main object is to avoid the boom-and-bust situation, when producers would be forced out of business and we would not even be supplying our own needs.

Senator Norrie: They don't seem to mind that with beef at all.

Mr. Lea: We are not very happy with it.

Senator Norrie: Neither am I. Nevertheless, why do they not find some way of transporting it to nations that need this stuff? That is what I cannot see. The forthcoming Habitat Conference is going to work on things like that, on transportation, and try to solve some of these problems. Will we be able to produce as much as we want, if they can transport it?

Mr. Hill: I should like to comment on this, Mr. Chairman. I think it would be useful to point out that farmers only accept a marketing board after everything else has failed, because a marketing board means giving up some of their authority and freedom. If you look at each commodity that has a marketing board you will find that those marketing boards come into operation after a great deal of economic stress and after the farmers had tried to resolve their income problems in almost every other way, and come to the conclusion that there was no satisfactory alternative to a marketing board. Then they operate just with a plain marketing board for some time; as conditions get worse and they find they cannot resolve all their problems through the legislation they have, they then have to go beyond this to supply management. As has been mentioned, only poultry and milk in the food products have gone to this. They accept supply management only after everything else has failed. When they are on the brink of disaster and just going over the edge, it seems that they finally agree to supply management.

I think eggs is a perfect example. For 23 consecutive months egg producers sold their eggs for less than it cost to produce them. Only then did they agree to supply management. When we got into all the controversy over eggs, as an example, it was after a few eggs did not keep quite so well. It is important to recognize that during the period this happened, CEMA and the National Farm Products Marketing Council were both working to try to find someone who would use the eggs. They made proposals to the federal government on how these eggs could be made available to senior citizens groups, who had financial problems, and people who were on welfare, but to no avail. They made

suggestions about where an export market could be found for them, but to no avail. They tried to sell them to the breaking trade in Canada, the people who are in the business of breaking eggs and putting them into mélange and other forms, but they were unable to get even a reasonable offer from those people for them. Those involved in the commodity were trying to find an alternative, and we should not overlook this.

With respect to making the food available to other countries, who is going to pay the transportation? That alone is a real problem. There are a number of other problems involved in finding a country that would take it, and I do not think we should minimize these.

Senator Yuzyk: Could we concentrate on another aspect that was brought up in the CFA brief? I notice that the CFA is pinning its faith a great deal on what is termed a national food policy. My undertaking is that that is a very broad policy, and if it is to be implemented there are certain principles that you would want to see adhered to. Could you briefly discuss the basic principles of such a policy?

Mr. Munro: I will ask Mr. Pigeon to pick this one up.

(Translation:)

Mr. Roland Pigeon, First Vice-President, Canadian Federation of Agriculture, P.Q.: Mr. Chairman, we said in our brief that there are many food and agricultural policies in Canada, but what we wish to have is more coordination between all those policies.

Those who attended the Agricultural Outlook Conference last autumn heard the representatives of the slaughter-houses speak of a food policy. A chain store representative also spoke of a food policy. But I think that in all this the main people concerned were overlooked, that is the agricultural producers who, after all, produce the raw materials for a food policy in Canada. I think that when we speak of a food policy, we are mainly concerned with having more coordination.

As producers, we wish to have our share and produce what we need. I think that in the past we have done more than our share, and we will go on doing so.

Incidentally, I would like to comment what this lady has said about assistance to world food supplies. I think that, as far as agricultural producers are concerned, they are ready to do their share. But I think that the other problem, concerning the processing, transportation, and distribution of those products, is not the responsibility of the primary producers. It is at another level. And the best example we have, is this year's dairy policy. Last year, we over-produced. And this year we must reduce our production. It shows that we need a food policy which would give each one his share.

Our plants want to be supplied. The chain stores also want to have their supplies. But I think the producers are also entitled to have theirs.

Last year's dairy policy is the best example. Even if they accuse us of having exceeded our production, it is not the case, because we produced within the limits of our production quotas. However, those production quotas have been changed. We used to export several million pounds of cheese a year, for instance, to the United Kingdom, but since January 1st, 1973, when England joined the European Economic Community, we have not been able to export cheese. At the same time, we imported 30 million pounds of

cheese which was not made in Canada. Since then, cheese imports have been increased to 50 million pounds. Now, producers are being asked to reduce their production. I think that this is where there is a lack of consultation. We need more dialogue. I think that as far as the producers are concerned, they want to produce, but the other part, because it is not their responsibility, is beyond their control, and it is one of the major weaknesses of marketing agencies which have no say regarding imports, except to complain to the Federal Government.

We have been experiencing this since last year in the broiler trade, where it is much less costly to produce them in the United States and, in spite of a tariff of 5¢ a pound, the Canadian market is being flooded with American broilers and this is preventing our producers from producing them in Canada.

This is one example. Another example is eggs. There are many others like that one. When we speak of a food and agricultural policy, our main request is that each one should have his share, and that all those policies should be coordinated.

[Text]

Senator Yuzyk: If I understand you correctly, the national food policy would require some kind of supervision, even with the co-operation and co-ordination that you speak of. Would you advocate some kind of structure to achieve this co-operation and co-ordination?

Mr. Kirk: It is, in part, the essence of what I think we are trying to say. Our concern is that there is, in the public mind now, a signal, to a degree, if that story in the Journal means anything, that from the bowels of the administration some place in the government we are going to come up with something called a "national food policy." It is our submission that we have a national food policy, in the sense that we have a highly developed set of policies relating to food. That is our national food policy.

Our submission is that while a great deal of improvement no doubt needs to be made, there exist problems of co-ordination between federal and provincial policies. There is no blueprint that can be brought in and put down and about which you can say, "That is our agricultural policy." It is not like that. The policies that we have are there for identifiable reasons, and they differ in significant respects from commodity to commodity. The policy with respect to beef is quite different from our policy with respect to milk, and our policy with respect to grain has its own special characteristics. Our fundamental submission is: no doubt our policies can be improved in one way or another but no blueprint of uniform principles can be developed that can be put in place as a brand new thing as "the national food policy." We are very concerned that there is an impression abroad, in the public mind, that we do not have a structure of food policy in this country, and we believe we do.

We are very concerned that the term "marketing boards" is used almost as a proxy description for our entire agricultural system, which is not so.

We believe the way to deal with agricultural policy is to deal with the problems, the identifiable problems we have, and to pay close attention to their inter-relationships with the various parts of it, and to deal with the job.

One person wants something called a "national food policy", and his interest is in feeding the hungry people of the world. Another person wants a national food policy, and his interest is to get rid of marketing boards. Another person wants a national food policy, and his interest is to have nothing but marketing boards, and so on and so on. Our point is that there is no blueprint in those uniform principles that is applicable, that we must follow with our problems.

Senator Yuzyk: If I understood you correctly, then, this is not to be structured in any way but it is a matter of co-operation right throughout. But also there is the matter of prices, cheap food prices. There is still the matter of stabilization. I know that farmers are urging that there should be stabilization programs in many of the sectors of agriculture. That would be a part of the national food policy, I assume—or would it?

Mr. Kirk: It is part of Canada's national or federal food policy that there be a stabilization capability, but what precise stabilization program should be in place for each commodity is not and cannot be done with strict uniformity. The hog producers do not suggest a system like the milk system. They are not proposing that. They do not, in fact, want it. It is the same for the beef people, and so on.

We are saying that we want to see a policy that accommodates the needs of producers in relationship to the nature of the commodity and to the desires of the producers. We want a legislative capability, a good deal of which we have now, for doing what we want to do.

Senator McGrand: Did I understand that farmers are being asked to reduce the amount of cheese they produce and at the same time take a lower price for milk while the amount of imported exotic cheeses continues to increase? Is that it?

Mr. Munro: We do have with us the President of the Dairy Farmers of Canada, Mr. McCague.

Mr. J. A. McCague, Executive Member, Canadian Federation of Agriculture, and President, Dairy Farmers of Canada: Mr. Chairman and honourable senators, in my opinion the article referred to is a real example of inaccurate and irresponsible journalism. There is one line in here which says that Canada is importing more foreign cheese and that its own domestic cheese lines have not expanded. The fact is that the biggest expansion in the cheese business in Canada last year was in the foreign types of cheeses.

Senator McGrand: Foreign-type cheeses coming into Canada?

Mr. McCague: No, manufactured in Canada. The biggest expansion in the industry was in this foreign type of cheese. The article is completely misleading, and not only in that respect; but that is the fact.

Senator McGrand: When I go to a supermarket and I see all of those imported cheeses, from Denmark and Norway and so on, are they really cheeses produced in those foreign countries or are they Canadian cheeses made from foreign recipes?

Mr. McCague: No, they are mainly produce in those countries. At least we have been helped to some extent, in that a licence, or whatever you want to call it, has been put on so that those cheeses have to be brought in with a permit and just for those types of cheeses. They did bring in some cheddar, which we do not agree with at all, but there is some control over it now.

Senator McGrand: But is the importation of these foreign exotic cheeses increasing?

Mr. McCague: It will not increase for this year. They have assured us that it will stay at 50 million pounds.

The Chairman: Can you tell the committee what progress you feel you have made with the government in changing its dairy policies since you were last here? You have been actively dealing with the government and you are going to the Commons committee, I believe, in a day or two. What progress are you making?

Mr. McCague: We have made some progress, we think, in that they maintained the subsidy at \$2.66 a hundred; they did not change that, which helps. They left the import cheese quota at the same poundage as last year, 50 million pounds. But the levy has been increased; it is \$1.35. This will create a real hardship for many dairy producers. We just do not know what can be done about that. We are still actively working with the government on that, but we do not know whether the policy can be changed to assist the producers who started to produce last year. They have very little industrial milk quota and they are being hurt, especially in Quebec. There are still active meetings being held with the Quebec people—with all the producers, really, across Canada, but Quebec has been injured the most. We do not know the solution because we know it has to be cut back. We produced too much last year. Dairy producers probably are the only ones in Canada being asked to take a reduced income this year.

The Chairman: Some of us will not be asked. We will just take it, the way the market is going.

Senator McDonald: How many millions of pounds of cheese did we export last year?

Mr. Roland Pigeon, First Vice-President, Canadian Federation of Agriculture; Quebec: One and a half million pounds.

Mr. McCague: It is because of the Economic Community; they are the tightest organization in the world. We had a terrific market in England, but when they joined the Community that was it.

Senator McDonald: That was my point. Why should a country like Canada, which is cutting back the amount of whole milk which can be produced in this country, import 50 million pounds of cheese and only export two million pounds?

Mr. McCague: The main reason for importing 50 million pounds of exotic cheeses is that we have a fairly big European population. There are 220 different types of cheeses and we can produce only 75 of them. It looks a bit unfair, but it is not as unfair as you might think, because, as I was saying, the biggest expansion in the Canadian cheese business has been in the foreign-type cheeses. If we were to keep the foreign cheeses out or cut down on them too much, the price of those cheeses would go up too high. That would automatically mean that our foreign-manufactured types would go up so high that the consumption would go down. That is the argument of the producers at least. If you cut down the importation too much, you put the price of those exotic cheeses up and then you would not sell as much Canadian exotic-type cheese, and it is selfdefeating. We think 50 million pounds is too high; maybe 40 million pounds would be sensible; but they should not be cut off completely, otherwise the people who want them

would not be able to have them. I don't know if your wives are like those I know, but they like to have exotic cheeses, like Swiss cheeses, when they have cocktail parties and so on.

Senator McDonald: Not any more, they don't!

Senator Norrie: Mr. Chairman, it seems to me that marketing boards are a great thing in a way, but I am not altogether sold on them because they curb our freedom too much. For example, if you have a barrier of over-production, then you end up with problems like we have had in egg production vis-à-vis the marketing board: they are all blamed for the mess they have got into and that sort of thing.

It seems to me that when a marketing board is set up careful plans should be made not to curb production but to find an outlet for over-production, if it occurs. There should be a ready market for things that are over produced; there should be a place to put them. For example, in respect of milk powder, I doubt that it would take too many farmers very long to find a market for that powdered milk or a use for it. Whether we get any money out of it or not, it is terrible to throw milk down the drain. So I don't think our marketing boards are doing a full-fledged job when they do not look after those types of things. The producers should not be curbed in the amounts they produce. An outlet should be provided for overproduction.

That is all I wanted to say. I think some of you people should get together and solve that little problem.

Mr. Munro: We have an expert in that area, Mr. Falkenberg from Alberta. I will give him a chance to reply.

Mr. H. Falkenberg, Executive Member, Canadian Federation of Agriculture: Mr. Chairman, honourable senators, quite a bit can and has been said about marketing boards, but there is much that has not been mentioned. The fact is that marketing boards are put into place not to curb supply but to adjust supply to meet the demand that is evident, and to do so at a reasonable return to the producers so that their level of production is maintained. Another aspect that is usually not considered is that there is no contract by which consumers must buy a certain amount of that product regularly. The aspect that is not considered is that there is no contract with any consumer in terms of which he must buy a certain amount of that product regularly.

Senator Norrie: What about the exporter? What about the producer? Is he on a quota?

Mr. Falkenberg: Yes, the producer is on a quota.

Senator Norrie: That is what I object to.

Mr. Falkenberg: Let me explain it a little further. By statistics you can determine what the disappearance of that product has been, and you can try to gear your production to maintain that market, and to expand it, if possible. The average, across Canada, has been probably a 5 per cent increase regularly every year in butter production, for example, but what happens if another product is overproduced and is put on the market at distressed prices? The consumer turns from the consumption of the product you are trying to match with the market that is known, and your product backs up. Do you then suddenly expect the producer to cut it off instantly and adjust that supply?

Senator Norrie: No.

Mr. Falkenberg: But that is what is inferred.

Senator Norrie: No. We spend a certain amount of money on the underprivileged countries every year. Why doesn't it go in the form of surplus food?

Mr. Falkenberg: The producer cannot afford that.

Senator Norrie: There has to be some other recompense for the producer who is in overproduction.

Mr. Falkenberg: We have not found that.

Senator Norrie: We would then keep our agricultural community alive, and that is our need.

The Chairman: The onus of dealing with surpluses in the international market is very largely a matter of federal government policy rather than a farmers' marketing board policy.

Mr. Munro: I would like to give Mr. Hookenson, from Saskatchewan, an opportunity to speak on this.

Mr. Clarence Hookenson, President, Saskatchewan Federation of Agriculture: We have had 24 months of about 60 per cent of the cost of production in beef, and I do not see any consumers coming to our rescue. We do not have a marketing board, and we do not have any stabilization program in Saskatchewan. We have stabilization programs in other parts of Canada—for example, in British Columbia and Manitoba, where they have formed some. I do not know what Ontario may have. I cannot agree, however, with the senator when she says that she is so sure that the producers of skim milk, or surplus, could find a ready market for it. How can they find a ready market? They have to find people who can afford to buy this product first.

Senator Norrie: It is a give-away product.

Mr. Hookenson: How can a farmer produce at 60 per cent and then turn around and give away that 60 per cent?

Senator Norrie: It should not come out of the farmers. We have to find some other way of doing that.

Mr. Hookenson: That is okay, then.

Senator Norrie: I said that before.

Mr. Munro: Mr. Kirk, you have made many efforts in this area. Would you expand on the subject?

Mr. Kirk: I think, Mr. Chairman, that you and the members of the committee today received a proposal, did you not, about the long-term commitment to skim milk powder use?

The Chairman: I believe so, yes.

Mr. Kirk: It is a very carefully developed proposal, in many respects. We think it is an enormously valuable, humanitarian and constructive use of milk powder. The question, of course, from a domestic point of view, having made such a commitment, is, who pays the cost?

Senator Norrie: That is the point.

Mr. Kirk: And what we have said in our brief is that we are prepared to pay something—that is, the producers, and the government is prepared to pays something to the producers, which is something that we want to talk to the

government about. Whatever the answer is in that area, however, the proposal, in terms of foreign aid and in terms of foreign development is, in our opinion, absolutely sound.

For your information I have had two letters back about this. One was from the Minister of Agriculture, and the other from CIDA, and what they both said, in effect was, "Forget it. You are just trying to get some more money out of the government." In my view, that is not good enough, because the foreign aid proposal aspect is, in my opinion, of very real importance and very real validity, and deserves to be looked at.

There are two points in all this, that I want to emphasize. First of all, who does pay? That is an absolutely central question. The second point is, the difficulty that an organization like ours can have in making such a proposal, because, after all, we are suspect; we are the interested group. We are suspect in terms of our motivation, and if we are going to use that milk powder that way, somebody other than the farmers has got to take it up. We are, I repeat, suspect.

Senator Norrie: Do you really think so?

Mr. Kirk: I know so, from two letters, at least.

Senator Norrie: I do not understand that.

Mr. Kirk: I will send you the letters.

Senator Norrie: I heard that powdered milk was quite perishable. Is that true?

Mr. Kirk: It is perishable for human use. Properly packaged powdered milk will, I understand, keep perfectly good for about two years.

Senator Norrie: That's not bad.

Mr. Kirk: Under present world conditions, in commercial terms, of very high and extensive surpluses, no commercial buyer will accept two-year-old milk, because there is lots of six-month-old milk around, and that is what he insists on getting. That means that the two-year-old milk, unless it is used in food aid—and there is an enomous short-term surplus of it—will inevitably get out of condition, because nobody will buy it, and it cannot be turned over, because the commercial purchasers insist on buying the fresh milk, so that it will have to end up as feed, or a good deal of it will, for that reason.

The Chairman: I think we might change the subject. Senator McDonald, did you have a question on transportation?

Senator McDonald: Yes, I did, Mr. Chairman. I noticed a statement from the Minister of Transport a day or two ago with respect to freight rates on rapeseed and rapeseed meal and oil, which suggests that the freight rate has been lowered on the product that is finished in the prairies and shipped east, and it is proposed that if we are going to get any more benefit for the producers, that is, the prople who process oil and meal in western Canada, and if we are going to get more equity for them, the only thing we can do is to increase the freight on rapeseed, which seems a funny way to skin a cat. I wondered if you had any comment on that.

A second comment I would like you to make is with respect to the charge that because the railroads and the national government have spent huge sums of the taxpayers' money to buy hopper cars which cannot be used on

many miles of railroad in western Canada, because the grade will not hold one-hundred-ton or more cars, the railroads and the government are in cahoots in endeavouring to use this as an excuse to abandon some miles of rail line in the prairies.

I also understand now that the Canadian Pacific Railway have, in many instances, done away with ferries that were used to transport carloads of produce across lakes and rivers. As ferries do not come under the Canadian Transport Commission, the railroad says, "We will go up to the river or the lake, but then we will take the ferry out," and so the rail line on the other side of the river or lake is abandoned. Are these stories true, and, if so, have you any comment on them?

Mr. Munro: Mr. Chairman, I am going to look to Mr. Marshall, from Saskatchewan, to deal with these questions.

Mr. W. Marshall, Executive Member, Canadian Federation of Agriculture, Saskatchewan: I certainly have no comment on the ferry question. I wish you would ask some of these questions of the government.

Senator McDonald: I do, believe me.

Mr. Marshall: You are quite right, of course, about the processing of rapeseed in western Canada. As I understand it, the National Transportation Act of 1967 suggested that these products had to be hauled on compensatory rates, and even on something less than compensatory rates. As you know now, the raw product moves on crow rates, so all of a sudden we are getting an increase in the compensatory rate on processed products, but it is still in force on the raw products. It is more advantageous to ship the rapeseed than the oil. It almost seems to us that it is a way of trying to put the squeeze on to make us agree to increasing the Crowsnest rates on the raw product, because the only way a processing plant can compete in western Canada is if the rate is increased on the raw product. They then could compete with others.

You talk about branch lines, and you referred to hopper cars, and of course, now, we have the Hall Commission looking at the railway branch lines, and making some recommendations to the government. I am very pleased with Mr. Hall and his commissioners, because I think they will do a very commendable job on the recommendations. I am not sure what the government will do with it afterwards, but I am sure there will be some sound recommendations coming out of their studies. We think it would be better to wait until the studies are completed.

Of course, Mr. Snavely is looking at the cost of moving grain, but we think it would be better to wait until we have the whole package. Why, for example, increase the rates on oil or grain at this stage? In other words, why do it piecemeal? Why not let us have the whole package so that we can look at it and make a more logical review of the whole transportation system?

Senator McDonald: Mr. Chairman, I understand that the Canadian Pacific Railway has asked to get out of part of the trucking industry that they have provided to the province of Saskatchewan after they had abandoned certain rail lines and had discontinue freight services, et cetera. Now I understand that they have made certain arrangements with private trucking firms. So waht is the situation with respect to those areas where the railroads, and especially the Canadian Pacific Railway, were allowed to discontinue services and replace them with trucking

services? Now do they want to take those trucks off, or do they want to sell them, or what is the situation?

Mr. Marshall: When CPR discontinued the rail services they chose to provide services by truck. Now they say they are losing money on some of these lines and so they no longer want to continue the trucking services. Some local truckers are willing to service these areas, so they are picking it up. There are a few areas where there is no local trucker who wants to pick it up. Whether these truckers can make a go of it or not is causing some concern in Saskatchewan because they have an obligation to serve those communities, and we think they should be held to that obligation until there is a review of the transportation question for these communities. I think it was suggested that there should be public hearings before they would be able to withdraw their services.

The Chairman: I hope your optimism or your optimistic view with regard to these commissions is proven, but I have been here for a long time and I have seen a lot of royal commissions, and I am not nearly as confident that the Hall Commission or the Snavely Commission will come up with something that is basically more valuable to the grain producer than it is to the railroads. I hope I am wrong. But I do not trust Snavely at all. I just do not trust him at all—period. I have to wait to have it proven to me that this man from the United States is up here to help us and not to help the railroads.

Mr. Marshall: Let me clarify the record. I make no comment on Mr. Snavely's findings at all.

The Chairman: But you mentioned his name as being part of the package.

Mr. Marshall: But Mr. Hall and his commissioners are taking a very good look at the whole question of transportation on branch lines, and I have some optimism where their recommendations are concerned. I must say I have less optimism as to what the government will do afterwards.

The Chairman: Well, I do not have all that optimism about their recommendations. I do not want to get into an argument, but certain recommendations have been made to that committee that some branch lines should be abandoned on a large scale, and the local people have just come marching out to those committee meetings saying, "For goodness sake, don't take our railway away from us!" I have been to the United States and the great mistake that was made down there was to discontinue rail services and subsequently to destroy their highways with increased trucking, wasting energy instead of conserving it. Again I hope that I am 100 per cent wrong and you are 100 per cent right, but I cannot help but say that I am rather skeptical of the results. What I would like to see them do is to use the Killdeer formula, where for 25 years they have been trying to abandon a line and they have not been successful yet. The train goes down whenever it is needed, and I cannot think of a better arrangement for another 25 years with most of the branch lines that the railroads would abandon.

Senator Michaud: Mr. Chairman, I would like to refer back to what Mr. Hill had to say a while ago when he said that marketing boards were resorted to only as a last resort and only when everything else had been tried and failed. I know that Senator Phillips and I would be very interested to know if he was forecasting the immediate formation of a marketing board for potatoes.

Mr. Hill: Well, Mr. Chairman, my understanding is that the potato growers are riding on the brink of prosperity and, therefore, may not be interested in a marketing board until after they have gone through another period of disaster. I think it is fair to say that in Ontario, this past winter, they introduced a marketing board that has negotiating powers for potatoes for processing. What is happening in the other provinces, I am not too sure. I think there have been meetings of a regional nature, and perhaps Mr. Kirk is more up to date with what is happening than I am, or Mr. Lewis from Prince Edward Island, or Mr. Daman.

Mr. William Daman, Executive, Member, Canadian Federation of Agriculture: There has been a study undertaken under the auspices of and at the request of the government of Prince Edward Island and the government of New Brunswick, regionally, and they have been joined by the Provinces of Nova Scotia, Quebec and Ontario to do a market study on potatoes for the eastern region, which would involve all five provinces. Meetings have been held with the producers in all five provinces, the last of which was completed last week. There will be a regional meeting held of all producers, at which time a market proposal for eastern Canadian potatoes will be presented to the producers to try to get some sort of reading as to whether the producers want to go into a more organized marketing structure or not, and, if they do, to see just how far they want to go with that marketing structure. I think great steps have been taken and the principles of a marketing structure have been discussed with producers, and in general terms I think they have been pretty well accepted in all provinces, with the exception of possibly one, and there is a reason for the situation there. So I think there has been a great deal of work done in this direction, and it does look hopeful. I suppose that if we run into a surplus in the 1976 marketing season, there could very well be a regional potato marketing plan in place in Canada.

The Chairman: Does any other senator have an urgent, burning question?

Senator Yuzyk: Mr. Chairman, my burning question will be about energy. The rising cost of energy is affecting the producer and the consumer, and we seem to be powerless before the powers that are setting these prices, so what is the CFA doing about it?

Mr. Munro: That has to be the \$64 question of the day. We have only one place to turn once our energy costs go up, whether they involve farm fuels or fertilizers or herbicides or pesticides. There is only one place to turn, and that is to the Canadian and international consumer. We cannot go back to the days of horses. That is out. The horses are not around anymore, let alone the people to drive them.

Senator McGrand: Mr. Chairman, I have one question. I have heard and read a good deal about the use of antibiotics for veal, pork and beef and the dangers involved. What is the stand of the Canadian Federation of Agriculture?

The Chairman: Dave Kirk does not know the answer, and if he does not know, I do not know anyone who would. I know it is a serious question.

Mr. Kirk: I do not know the answer, but maybe we could find out.

Senator McGrand: You have no policy in that regard?

Senator Phillips: Before the committee adjourns, I had wished to ask for some elaboration with respect to the

section of the brief dealing with farm credit and whether there is much variation in the availability of credit from one section of the country to another.

The Chairman: Does there appear to be any difference in the availability of credit from one section of Canada to another? Senator Phillips, does your question relate to loans through the Farm Credit Corporation, or generally?

Senator Phillips: I refer also to the banks.

Mr. Kirk: I do not have any comparative information, but I know that it is harder to obtain farm improvement loans from the banks than it was, because the interest rates fixed for them have fallen behind the current rates. I have no analysis of the inter-regional difference. I know that the Farm Credit Corporation, with its limited funds, is tending to act more as a lender of last resort to newer and

smaller farmers, on the whole, on the basis of need. Given the restriction in availability of funds to the corporation, we do not quarrel with that basic policy of allocating them. We are concerned however, that the Farm Credit Corporation, as a basic lending institution, should not simply become a lender of last resort for farm credit. We do not think that is a good direction of policy.

The Chairman: Mr. Munro, on behalf of the committee I thank you for your presentation, and we thank your colleagues for attending with you today. We have enjoyed the session, and I am sure we look forward to another.

Mr. Munro: Thank you very much, Senator Argue and also the senators for their questions and discussion. Senator Norrie, we will be looking to you to help us sell some of that skim milk powder all over the world. So, on that note, we say thank you.

The committee adjourned.







FIRST SESSION—THIRTIETH PARLIAMENT 1974-76

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 32

TUESDAY, MAY 11, 1976

Review of the present and potential roles of DREE policies, programs and expenditures affecting the development of agriculture and the rural community with specific respect to the Maritime provinces

(Witnesses: See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue
Blois
Côté
*Flynn
Fournier (RestigoucheGloucester)
Greene
Haig
Hays
Inman
Lafond
MacDonald

McDonald
McElman
McGrand
McNamara
Michaud
Molgat
Norrie
*Perrault
Sparrow
Williams
Yuzyk—(22).

(Quorum 5)

^{*}Ex officio members

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate;

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

That question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Tuesday, May 11, 1976

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day, at 9:30 a.m. to review the present and potential roles of DREE policies, programs and expenditures affecting the development of agriculture and the rural community with specific respect to the Maritime provinces.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Hays, McDonald, McGrand, Michaud, Molgat and Norrie. (8)

The following persons were heard:

Dr. Cliff McIsaac, M.P.,

Parliamentary Secretary to the Minister of Regional Economic Expansion;

and from The Department of Regional Economic Expansion:

Mr. J. D. Love, Deputy Minister, and

Mr. Don McPhail, Assistant Deputy Minister for the Atlantic Region.

Dr. McIsaac made an opening statement.

The witnesses answered questions put to them by Members of the Committee.

At 11:00 a.m. the Committee adjourned its consideration of the review of the present and potential roles of DREE policies to a further date and proceeded to consider the next item on the agenda.

ATTEST:

Mrs. Aline Pritchard Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, May 11, 1976.

The Standing Senate Committee on Agriculture met this day at 9.30 a.m. to review the present and potential roles of DREE policies, programs and expenditures affecting the development of agriculture and the rural community with specific respect to the Maritime provinces.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: The purpose of the meeting this morning is to discuss the policies of DREE as they relate to eastern agriculture, with specific reference to New Brunswick and Kent County, and any suggestions as to how those policies might be improved.

The committee is fortunate to have before it Dr. Cliff McIsaac, M.P., who is Parliamentary Secretary to the Minister of Regional Economic Expansion. He has with him some officials of the department, whose introduction I will leave to him. I now call upon Dr. McIsaac to make a statement

Dr. Cliff McIsaac, M.P., Parliamentary Secretary to the Minister of Regional Economic Expansion: Thank you, Mr. Chairman. I will first introduce the two officials of DREE who are with me. They are the deputy minister, Mr. Doug Love, who is immediately to my right, and Mr. Don McPhail, who is the assistant deputy minister for the Atlantic region, stationed in Moncton, and is, I might say, a native of the Maritimes.

Mr. Chairman, I will try to go through some notes and various information which I have prepared, and the staff have put together, for your committee. I will try to shorten it, although it may be a little long. I will go over some of the material, and we can then get into more specific questions and concerns of the members of the committee.

I should like to address my remarks to the relationship between agriculture itself and regional development in order that we can look at DREE and agricultural initiatives in that context.

As requested by the committee, I will try to focus my remarks on the situation in Atlantic Canada and particularly in New Brunswick. However, as the committee will appreciate, the general economic themes are similar with all slow growth regions where the relative position of agriculture has been declining.

As committee members know, DREE's basic approach is that of identifying and exploiting all types of development opportunities in the slower growth areas of Canada. Despite agriculture's general decline, many slow growth areas possess substantial opportunities in that sector. Even in the Atlantic region, where the relative position of agriculture in the economy has been declining faster than in most other parts of the country, many opportunities have been identified and a lot of money has been spent by DREE since the inception of the department.

Since 1969, as a matter of fact, DREE has spent or committed over \$300 million in agricultural initiatives in Canada, and approximately \$50 million of that in the Atlantic provinces, so I think that attests to the effort by DREE in that respect.

As I mentioned, I have a lot of facts and figures about recent problems which will be available to the committee members during the course of questions, or we can perhaps consider an appendix to the report later on.

It is to the committee's credit that you have focused attention on a subject that is certainly of concern to Canadian in all regions of the country, not only in the Maritimes. Perhaps the root of this concern is the apparent paradox produced by three different phenomena occuring at the same time. The first is the fact that the world faces food shortages, and prices for farm products are indeed now rising, or are beginning to rise, particularly in the grain sector. Secondly is the fact that in Canada more and more acres of previously productive farmland are being left unused. Nowhere is this better exemplified than in parts of New Brunswick. The third phenomenon in that respect is the existence of quite a high unemployment rate in those very areas where those farms are being abandoned.

There is vacant farmland, and I am sure it goes against the nature of almost every Canadian to see farmland going back to nature, with trees growing and so forth, in the face of present world demands for food, as well as unemployment in those very same areas. Yet, unfortunately, when we examine the situation a little more carefully, it does make sense, from the economic development point of view, that present trends continue. I do not think any of us feel particularly comfortable with the economists who see the world only in terms of dollars and gross productivity. I, along with many of you, I am sure, grew up in a farming community-on a small farm in the Maritimes, as a matter of fact-and I certainly share the concern about declining farm acreage and the elimination of agricultural jobs. That concern has been shared by each of the various ministers of DREE since its inception, as reflected in federal spending in that area. Since 1969, the department spent over \$300 million, but in total rural development it spent about \$1 billion, a large part of which was directed at efforts to make farming more economically viable in the slow growth areas.

Looking specifically at the province of New Brunswick, although it has been the province which has experienced the most dramatic decline in farming since World War II, similar conditions can be found in the marginal farming areas of Nova Scotia, the Gaspé, certain regions of Quebec, and certain peripheral areas of Ontario and the western provinces.

How productive is the New Brunswick agricultural resource in comparative terms? Although weather condi-

tions are not ideal, the Canada Land Inventory tells us that there are more than 3 million acres of classes 2, 3 and 4 agricultural land in that province, which was productive enough to support a farming population back in the early thirties of about 180,000 people. In fact, in those days, even more than 3 million acres were being farmed, compared to only about 1 million today. But the crucial question is not how many people the agricultural resource can support at pioneer standards of living, but how many families can now make what would today be considered a decent standard of living from farming in New Brunswick.

It certainly was a different day and age only 30 or 40 years ago, or even 25 years ago, in that farmers on some of those smaller holdings could get by with a good kind of life with very little cash in their pockets. They did not require a great deal of cash to operate and on which to live. As we are all well aware, that situation has changed dramatically in a very short space of time. If the New Brunswick resource could produce sufficient farm output in real terms to provide a living for 180,000 people in the 1930s, that same acreage could produce somewhat more real output today because of the technological advances that have been made in the agricultural field. But clearly it could not, even with massive capital investment, generate sufficient output to provide, at present relative prices, the kind of dollars required to support that same number of 180,000 people today at what would be considered a decent standard of living.

The Canadian standard of living has increased dramatically since the end of the nineteenth century as a result of technological advances and capital accumulation being provided for more production opportunities and more efficient ways to generate goods and services than those provided by the 50-acre and even 100-acre farms in New Brunswick and the Maritimes. As an example, one large pulp and paper mill in the province of New Brunswick is capable of generating as much dollar value in terms of production as that presently provided by all of the farming activities in the province. That gives you some idea of the comparative productivity of similar dollars being invested.

A careful study of each sub-region of each province in the Atlantic region by DREE has indeed identified some opportunities in agriculture. In the province of New Brunswick, initiatives have been taken as part of the FRED plan in the northeast and under NewStart in Kent County, and a subsidiary agreement is now in operation in the province of New Brunswick. An agreement may soon be negotiated, I am informed, with the Province of Nova Scotia, and, of course, Prince Edward Island has a comprehensive development plan that does involve agriculture to a great extent.

Looking specifically at the province of New Brunswick and the extent of DREE involvement in agriculture and the opportunities that are being developed, the RDIA program, the Regional Development Incentives program to attract industries, has provided fairly significant assistance to the food processing and related manufacturing industries in New Brunswick. From 1969 to 1976, 40 different offers and a total of \$10 million in grants were made, creating about 1,400 jobs directly in the food processing sector, plus supporting the farmers required to feed that sector.

Both ARDA II and ARDA III programs have been in force in New Brunswick since the creation of DREE, and federal-provincial agreements in that area are designed to

foster more effective use of land and the conservation and development of the soil resource in that province.

Some honourable senators may be familiar with the FRED plan. It has been in operation in Restigouche-Gloucester County from 1966 to this year. Under that program, the trend towards larger and more viable farming units is encouraged, with technical assistance offered and farmers' associations set up. Assistance is given to the production of new products and new markets, Christmas trees being one example.

The NewStart program has been operating in Kent County from 1969 to the present time. Local farming cooperatives were organized and cold storage facilities funded, and other studies in that respect. I am not personally familiar with the NewStart operation in New Brunswick. I am, however, acquainted with one similar kind of experimental program that was set up in Prince Albert, Saskatchewan, with very good success in dealing with the problems in that area. I am informed that the NewStart program in Kent County is a good one and one which has been well received in that area.

Under the Agricultural Subsidiary Agreement, from 1975 to 1980, a total of about \$7 million in federal funds and \$2 million in provincial funds will be used for development work in such areas as land planning, greenhouse construction as well as in the dairy and beef industries. Capital assistance will be made available for specific opportunities in apples and blueberries, and other related industries.

These are only some examples, Mr. Chairman, but I think they do illustrate the department's approach to agriculture in the slower growth areas.

The objective is not cast in terms of a province-wide policy of recovering abandoned farmland, or even maximizing the volume of agricultural production, as such. The objective, rather, is one of seeking out the best employment-generating opportunities and of fitting the specific agricultural initiatives into an overall plan for rural development and, more generally, formulating a plan for the comprehensive economic development of the region as a whole.

To summarize, there is certainly a trend towards the reduced importance of agriculture in the economies of the slow growth regions. That is not peculiar to the slow growth regions, as I am sure all honourable senators are well aware. Because of the historical and symbolic role agriculture has played in the development of this country, I am sure that all of us, as Canadians, find that particular trend somewhat disturbing. However, there are undeniable economic reason for the general trend, and rational regional development efforts cannot attempt to return agriculture to its former prominence as a source of jobs and income, and farming acreage will probably not return to its pre-war high for quite some time to come.

Nevertheless, production opportunities do exist in the agriculture sector in New Brunswick, in the Atlantic region generally, and in the rest of the country, and DREE is working with the provinces to see that those opportunities are exploited to the fullest possible extent and the kinds of uses and investment we can devote to it.

New ideas are certainly always welcome, and you can be sure that officials of the Department of Regional Economic Expansion will be glad to look with interest at any suggestions or any proposals that will come from this committee, or from any other source, aimed at the problem of the downgrading, if you like, of agriculture in relation to other activities in the economy.

That completes my opening statement, Mr. Chairman. We are now ready to answer any questions honourable senators may have.

The Chairman: Thank you, Dr. McIsaac.

I might mention for the benefit of honourable senators that Dr. McIsaac has another meeting which he has to attend at 11 o'clock, so our objective should be to get him out of here shortly before then. I will now open the meeting to questions.

Senator Michaud: Dr. McIsaac, in your remarks you expressed in a general way the view that across the country, in some areas more than perhaps others, there has been a general reduction of land being farmed. In New Brunswick the situation is somewhat worse than might be found in other parts of the country. Recent statistical estimates reveal that 40 per cent of arable land in New Brunswick is at present out of use. In eastern New Brunswick it is getting to a critical point. This leads to a breakdown of the rural structure. Some farmers have found it very hard to qualify for any assistance under DREE. The general complaint is that for anyone operating on a large enough scale it is easy enough to qualify for assistance, but the smaller operator cannot qualify and is unable to benefit from what is offered by DREE.

Dr. McIsaac: That is a key point. I do not know whether one of the officials would care to comment on that. I suppose it is true that perhaps some equity is required, as is normally the case with most of these programs. What you are saying is that we are helping some but are not really getting help to those who need it most. That is certainly something we can examine. I do not know if Mr. McPhail would care to add anything to that.

Mr. D. S. McPhail, Assistant Deputy Minister (Atlantic region), Department of Regional Economic Expansion: It is always difficult to tailor programs to individual circumstances. I think the experience of DREE over the past four to five years in eastern New Brunswick, both northeastern and down along the coast, has been to experiment with a number of programs designed, hopefully, to meet precisely the kind of problem that has been mentioned. For example, in northeastern New Brunswick, under the FRED agreement we instituted, within the last 24 months, a new program of grants to small enterprises, those not large enough to qualify under the Regional Development Incentives program. On the basis of the statistics to date, that has been a very successful program. The criteria are much less stringent, the speed of operation is, I think, impressive; we have been able to deal quickly with proposals for rather small scale industrial incentive applications, many of which relate to the agricultural sector.

Equally, in Kent County we have a Sub-Agreement under the General Development Agreement with New Brunswick, which again allows for a certain degree of experimentation in programming. The programming is not directed specifically to the agricultural sector, but relates to rural communities. Once again it is a question of providing flexibility, which is not available in some of the other more stringent requirement programs that we have.

The Chairman: Could you give us two or three examples of industries related to agriculture that have been set up in northeastern New Brunswick, or in any part of New Brunswick?

Mr. McPhail: Those two specific programs are very new and I do not have the details with me. I can say that in northeastern New Brunswick there was earlier activity under the FRED agreement whereby we assisted the province to establish associations of producers of Christmas trees. There were a couple of similar producer associations related to rural communities, some of whose pursuits are related to agriculture and some not. It is that kind of assistance that has been given, to help producers organize themselves, to organize distribution and improve operating costs and techniques; that kind of assistance has been undertaken in northeastern New Brunswick.

The Chairman: If it is not available today, I think the committee would appreciate having some examples. This is the kind of thing we want to get at. We think there are these kinds of opportunities for small industries related to agriculture, and we would like to know what has been accomplished to date.

Senator McGrand: I understood you to say that in the thirties there were three million acres of land under cultivation in New Brunswick.

Dr. McIsaac: That is right.

Senator McGrand: Today it is only one million?

Dr. McIsaac: That is right.

Senator McGrand: First of all, I want to know about rural New Brunswick. What became of those two million acres? Were they just abandoned and the land grown up in alder bushes?

Dr. McIsaac: I would think that is what happened to most of it. You would know that as well as I, I am sure.

Senator McGrand: When we visited Kent County we looked at only one small area. When you refer to Kent County, are you concerned with the entire county or with only the area that we looked at?

Dr. McIsaac: From our point of view, we would be talking about the entire county.

Senator McGrand: How much money has gone into Kent County through DREE since we were down there in 1973?

Mr. J. D. Love, Deputy Minister, Department of Regional Economic Expansion: We do not have specific figures since 1973.

The Chairman: Would you have any idea?

Mr. Love: It is a little difficult, because there would have been expenditures under NewStart, which was DREE supported; there would be expenditures beginning in the last year under the Kent County Sub-Agreement of the General Development Agreement; there would probably be expenditures under other elements of DREE programming, including ARDA.

Senator McGrand: The policy is to start projects that are viable, is it?

Dr. McIsaac: Basically that is right.

Senator McGrand: Betwen 1935 and 1940 there was considerable production of cranberries in Kent County, along the coast, especially at St. Charles, I think. Is there any production of cranberries there today? Do you know of any? It has gone.

I suppose we are still getting our cranberries from Cape Cod, are we? That was the biggest production, from Cape Cod. It seems to me that was considered a very viable matter in 1935 or 1940. The climatic conditions favoured the production of cranberries. Has any attempt been made to assess the viability of that today?

Dr. McIsaac: Blueberries I have read about, but cranberries I have not.

Mr. McPhail: I am not aware that there has been.

Senator Michaud: Mr. Chairman, mention has been made of the Kent County pilot project. I would be interested in getting a few details about that agreement.

Traditionally, through the years, every second or third year we come up with big headlines and some important agreements being announced, and that seems to be the end of it. We have heard of pilot projects in northern New Brunswick, Gloucester off and on. The same thing applies currently to Kent County. I heard about the Kent County pilot project being announced, but it seems to be very hard to get details about it.

In connection with Senator McGrand's question, as to what amount of money has infiltrate into Kent County within the last three or four years under the agricultural caption, I think I can answer that one for you, senator—very little indeed. There would be very little indeed, if any.

Senator Hays: Mr. McPhail, you are familiar with this area. If you were going to farm in Kent County, how large a farm would you have to have to make it a viable proposition, and what price would you have to get per ton of potatoes and how much for milk or beef and that sort of thing?

Mr. McPhail: I am sorry, senator, I could not attempt to offer an answer to that question. It would be presumptuous if I attempted to answer that question; I am not at all well versed in the economics of farming.

Senator Hays: The reason I ask this question is that I often think, when we have all these programs, that it is really a backward way of going at a very serious problem. If it is going to take 60 cents a pound for beef, \$14 a hundred for milk and \$20 a ton for potatoes, while we know that in Germany today beef is being subsidized at \$180 a head, it seems to me we should help. In our country we are not subsidizing them at all.

Dr. McIsaac: The producer is.

Senator Hays: We talk of shortage of food, but we have a surplus of wheat, a surplus of barley, a surplus of milk and a surplus of eggs.

Senator Hays: We have a surplus of everything in agriculture in Canada. Maybe we should be looking at the economics. Maybe we need economists to give us some information on this. If there are two million acres out of production, there is a reason. The people did not get enough for their product and, therefore, they saw fit to do something else which was more viable for them.

The Chairman: I do not think it is necessarily that simple, that they did not get enough for their product. There are many other reasons.

The point I tried to make when we were down there three years ago—it may not suit this particular situation,

but it may help—was that there should be some kind of illustration station or a demonstration farm where they can go in and say, "This is the kind of unit that should be set up. It should be so many acres and there should be such-and-such production. If that is done, then there may be such-and-such a return."

I have seen the country and without knowing very much about all the economics, the climate and so on, a westerner would just like to get a big tractor in there with a deep tillage...

Senator Hays: Mr. Chairman, there are just as many good people in Kent County as there are in Saskatoon; there are good people everywhere. The reason these people are not successful, it seems to me, is that they are not getting a justifiable price for the product.

The Chairman: Senator Michaud could answer that, but I am sure there are many other factors. A lot of good economists told our committee they felt the land was suitable and there could be money made there.

Senator Hays: Not one of them went out there to farm it. They want somebody else to do it.

The Chairman: You might want Senator Harry Hays to go down there, and maybe that could be done.

Senator Hays: I had some very good friends who went down there, to go into the cattle business, and they failed just like everyone else did there. They could make it somewhere else.

I often think about some of the projects which DREE has initiated, and one in particular where we spent millions of dollars helping a packing plant in Lethbridge when we already had the rest of the packing plants 75 per cent operable. We reduced it to 50 per cent and then all packing plants were in trouble. We were moving hogs for 400 miles trying to help these plants and labour, and people like Burns and Co. nearly went broke because their plants were not going at full capacity. They were actually moving hogs for 400 or 500 miles. I can remember, as long as I was involved, that back in the early 60s we had all these great problems, and they are worse today than they were then.

Senator McDonald: Hear, hear.

Senator Hays: We are not curing them. I hate to take up a lot of time but I just suggest that if you get enough for the product and if you give the farmers of this country \$4 for wheat, Otto Lang cannot make enough cars or lay track enough to get it to the coast, because we can double our production of wheat if we get enough money.

The Chairman: Economically, I would challenge that statement because if wheat goes below \$4 a bushel, there will be a hell of a lot of people in trouble because it has been well above \$4 a bushel. When I see it getting under \$4 a bushel I will start to become concerned.

Senator McDonald: Dr. McIsaac, your NewStart program in New Brunswick, was it designed as a social program or designed as an economic program?

Dr. McIsaac: Primarily social, senator. I will leave it to Mr. Love to elaborate a little further on that program. However, I would just say a word or two, first, with respect to the general DREE approach. DREE evolved initially from a branch of the Department of Industry, Trade and Commerce, and it went on from there.

You are familiar with the ARDA programs, where various lines were drawn in various parts of the country and one was an ARDA area and one was not. The approach, as far as DREE has been concerned in Canada, has been to sign a general development agreement with each province—a kind of umbrella arrangement—and then, within that structure, to sign subsidiaries, whether it be forestry in New Brunswick or the northern part of Saskatchewan, or the agricultural sector in Kent County. As a matter of fact, as Senator Michaud mentioned, there is a Kent County sub-agreement. He asked about that and we will give you some more specific answers to your question, senator, as well as to yours, Senator McDonald, on the details of the NewStart.

Mr. Love: I will try quickly to answer the question about NewStart. That was a concept that goes back to the early days of the Department of Manpower and Immigration. It was absorbed by DREE when the department was established. The concept was one of setting up a number of very small corporations that would work on a socio-economic base in different parts of the country, being highly experimental and under a board of directors and a small staff that could relate directly to the people in the local area.

The approach taken by the different NewStart corporations was quite different across the country. Some of them focussed very heavily on the process of adult education. I think there was heavy emphasis on that in Saskatchewan. In New Brunswick there was heavy emphasis on providing advisory consultative services to individual farmers or wood lot operators or people engaged in various pursuits. Out of these experiences a good deal of useful knowledge was gained about how to tackle the problems of the small guy in areas where the levels of income were quite low and where the problems of living generally were pretty severe.

The NewStart corporations were all established with a limited lifespan. The last of the NewStart corporations, the one in New Brunswick, was phased out as of March 31 just passed. In the meantime we had signed a general development agreement with New Brunswick. With respect to two of the initiatives taken under that agreement-two of the subsidiary agreements signed under the general agreement, one relates to agriculture in the province as a whole and one relates to Kent County in particular. It is called the "Kent County Pilot Action Agreement." That is designed to provide some specific focus on the rather severe problems of Kent County and to pick up on some of the experimental work that was started by NewStart. It might be useful, Mr. Chairman, if there is time, if I might just ask Mr. McPhail to go over some of the main program thrusts in those two agreements, because they do get down to the concrete level. Perhaps some of the senators would be interested in some of the detail, without our going too

The Chairman: I think we would appreciate any specific projects being undertaken.

Senator McDonald: Your proposal is good, in my opinion, but before you do that, it is my understanding that under NewStart in New Brunswick you were involved in homemakers courses, information centres, day care centres, kindergartens, helping residents with LIP projects and OFY grants. I am rather sympathetic with what Senator Hays said a moment ago. I doubt very much whether any of these programs, other than the information centres, will put very many dollars in very many people's pockets in New Brunswick. It seems to me that the major problem

in New Brunswick, as it is in many areas in Canada, is an economic one.

I can see little use in funding this sort of program unless there is a follow-up by which the people involved in the original program become money earners and are able to make a contribution to their province and to their country. It is the follow-up that I am interested in. What has happened to the economy of New Brunswick as a result of NewStart? These are the programs I would like to know about.

Mr. Love: Mr. Chairman, I should like to say that it was a modest program, with a small staff under a board of directors. It is fair to say that that program had its beginnings in a period when there was a fairly strong view that in some of the slow-growth areas experiencing particularly severe economic problems there was a need to tackle it from both ends. In other words, governments in the normal course of events had to try to focus on the economic problems of the areas and to tackle the sort of larger scale problems. But there was also a need to try to do something to provide encouragement to the local people and to the communities in those areas.

I think it is fair to say that we have been rather impressed. There was a similar sort of element in the FRED program in northeast New Brunswick, and that was a highly intensive kind of effort there. Just one of the program elements in that activity was to try to strengthen the community associations and the local industrial development associations and so on. We have been rather encouraged, because recently we have been participating with the provincial government in a series of public hearings in northeast New Brunswick in preparation for the sort of final design and negotiation of a sub-agreement under the General Development Agreement that will apply to northeast New Brunswick.

We are quite impressed in some ways by those public hearings. Many of the associations, industrial groups, farmers groups, co-operatives, and so on, which, incidentally, presented really quite good briefs, did not even exist when the FRED program first began. So it is at least part of our experience that, no matter what sort of general federal programs or provincial programs may be available, it is important that the communities and the local groups first of all have an understanding of them and have enough confidence to go after some of their own opportunities.

That was some of the thinking behind NewStart. We learned a fair amount out of that experience across the country, some of which is now reflected in the broader agreements to which Mr. McPhail might like to speak for just a moment.

Mr. McPhail: There are really two sub-agreements under this General Development Agreement system that I think are relevant to the kinds of questions that have been put. The first is an agricultural sub-agreement which has a value of approximately \$8 million or \$9 million. Its objective, really, is to get right at some of these measures to ensure fuller utilization of land, labour and capital resources across the province. That includes improving the organization of the agricultural labour force and improving the skills required for agriculture; dealing with the problems of capitalization and capital availability; and emphasizing rather heavily measures to stimulate export market opportunities.

There are three general program headings under this sub-agreement. The first is a planning and development

program. That is something we considered essential if our efforts were not simply to be dispersed, but instead were to be co-ordinated and lead to the kind of economic results we are after.

Senator Hays: On that particular point, "economic results," can you enlarge on a specific project?

 $\mbox{Mr. McPhail:}$ We have isolated a number of development opportunities.

Senator Hays: Let us isolate one and follow it through.

Mr. McPhail: All right, the blueberry industry. We are contributing towards the construction of nursery structures and are improving the field acreage facilities and are working with the province to improve methods of harvesting, recovery and marketing.

Senator Hays: All right. Assuming you have a quantity of blueberries, where will you sell them and what profit will have to be made for it to be a viable proposition for someone? Senator McGrand, for example, was mentioning cranberries: we eat cranberries with a little bit of turkey, but it takes an awful lot of turkey to use up very many cranberries.

Senator Norrie: Not in my family!

Senator Hays: There are all kinds of blueberries in this country: wild blueberries, cultivated blueberries in great quantities. Will we be getting ourselves into a marketing problem again? Will we have to have subsidies for blueberry buyers?

Mr. McPhail: That is certainly not the intent, senator. Our intention is to take a systems approach to ensure that we have, first of all, the necessary capital, and, secondly, the necessary skills. We must have the managerial and entrepreneurial skills as well as the agricultural skills. When we speak of entrepreneurial skills, then, indeed, we are talking about the market research which would be necessary to ensure that there is a market for the product and to ensure that it can be transported to that market at a reasonably competitive price.

Senator Hays: All right, but you would have to start first with a market, and then decide what you are going to do with the blueberries. You would not get the blueberries and then say, "We are going to find a market." How much would you have to have under blueberries to make it a viable proposition?

Mr. McPhail: All I can say by way of response to that is that the program as a whole was developed on the basis of probably two years of analysis, in which people tried to take all the natural agricultural resources of the province and say, "All right. Do these have an economic future, and if so, what is it we need do to make the whole thing work?"

We have had documentation that thick, which would provide precisely the kind of information you are asking for, but which I do not have at my fingertips.

Senator Hays: I suggest, Mr. McPhail, that you do not have a viable market for blueberries in New Brunswick. I think you should look at the market before you look at all of the expenditures, and before you take the money and develop a blueberry patch when you have no market for the product.

Mr. McPhail: With respect, senator, the studies have been done. I cannot produce them for each of these 20 or so

products that are listed here, but the studies have been done.

Senator Hays: Well, I suggest, Mr. Chairman, that these are some of the things that we should have information about. Let us find out what is required and where we are going to sell them before we go ahead and have a lot of blueberries on our hands that we cannot dispose of.

The Chairman: I would think this kind of general information that we are getting this morning ought to lead to specific information and specific facts with regard to these specific projects. I would think, from the discussion that has gone on so far, Mr. McPhail, that we might usefully have another meeting a week or two from now, to which you can bring back information about these particular projects, and we can have a look at them. This is what our committee and our research people have been trying to do. They have tried to come up with some of these things. They are not as pessimistic as Senator Hays, I may say.

Senator Hays: Well, I am just playing the role of a kind of devil's advocate. After all, there is \$50 million at stake here.

The Chairman: Well, I must say I am glad you are playing this role. That is great. I think we should get this specific information, and have a look at it at another meeting. Would you agree with that, senator?

Senator Hays: Surely. You know, I used to have friends in New Brunswick—the Harding brothers—and they were great Holstein breeders. They produced milk. It is said that we import \$50 million worth of soft cheeses. These people were getting the equivalent of \$15 per hundred for milk for producing blue-veined cheese, and all these other cheeses. Maybe we should be looking at this, rather than blueberries, that we do not have a market for.

The Chairman: Or both.

Senator McGrand: May I say a word? With regard to the question of blueberries, a lot of the land in New Brunswick is suitable for blueberries. I am thinking of Albert County, Charlotte County, and so on. With regard to a market, there is a big market for blueberries in the Boston area. That is where most of our New Brunswick blueberries go, I think. However, a great deal of the production of blueberries in New Brunswick is American owned and American controlled, and it is harvested by Americans. Does this situation obtain with regard to the development you are looking for in Kent County? Or is this going to be owned by the local farmer?

Dr. McIsaac: The officials can correct me, but I presume that DREE went in there to examine the economic feasibility that Senator Hays is speaking about, of this industry, for that area. I suppose the question of land ownership, and who has been developing the industry up to now, was not really of direct concern to DREE. It may well get to be, you know, but I am sure it was not.

Senator McGrand: Is it possible to find out who controls and owns the blueberries at the time they are harvested and shipped? Because I am under the impression, from what I hear, that this industry is largely American owned.

Mr. Love: Mr. Chairman, may I make just one quick comment? I hope senators realize that when we speak of sub-agreements under the General Development Agreements we are talking about programs involving cost-sharing with the provincial governments. The responsibility for implementation of program activities rests in this case very largely with the provincial departments of agriculture. I make that point to indicate that I do not think that DREE would claim to be expert in all of the aspects of pricing, ownership and marketing of each of the individual agricultural products which are being promoted under the agreement. I say that simply because we are engaged in other agreements in the mineral field, in the forestry field, in industrial development, and so on. My point here is that a lot of that information may be available, but that it would probably be necessary for us to go back to our provincial partners and get some of the details from them.

Senator McGrand: I was not addressing that question to you, because I would not expect you to have those statistics. You are working in a different field. I was really looking to the chairman when I made that remark, because I think this is something that this agriculture committee can investigate.

Senator Michaud: Mr. Chairman, I have listened with a great deal of interest to the discussion which has taken place on cranberries and blueberries. I think it should be said here that Kent County is capable of growing something else, apart from these two products, which is more basic. Let me give you a couple of examples.

It is generally known that there is an open market for fresh vegetables in New Brunswick. In the St. Charles area there are a thousand acres of what is reported to be some of the most suitable land for vegetables that you can find in the whole country. Now, for lack of \$35,000 for securing machinery to make ditches, which have to be renewed every third year, the project fell down, because there was no organization or institution that they could think of, or that they could find, which could assist them to secure that machinery. They even had storage for carrots which was left empty the year after because they could not get their ditches cleaned.

In 1910 Kent County was growing more potatoes than the county of Victoria was at that time. Today we are down to practically nothing, and the county of Victoria is one of the leading counties in New Brunswick in potato production. As far as that goes, we do not envy them, but I think, throughout the years there has been a lack of information which accounts for the general abandonment of farming in the area.

We have spoken here this morning about NewStart. NewStart has done some good work in Kent County, but it was mainly social action it was engaged in, rather than economic. I was speaking with the director of NewStart just at Christmas, Mr. Shorten, and I said to him, "Mr. Shorten, after spending five years in Kent County here, where the emphasis of your work has been mainly social, but where you have been able in the meantime to have a look at the agricultural area, do you think there is a future for agriculture in Kent County?" He said, "Yes, there is, definitely." He went on to say, "I will go further than that. If we took full advantage of all the possibilities there are in the agricultural field in Kent County, I have no hesitation in saying that the general economic climate here would be at par with the rest of Canada."

Believe me, gentlemen, Kent County's economy at the present time is far from being at the same level as the rest of Canada. It is entirely the contrary.

Senator Hays: Mr. Chairman, may I ask the senator a question? He mentions \$35,000 for 1,000 acres which

amounts to \$35 an acre, and this is only half the price of a four-bedroom home in Ottawa. That is what it would cost to make this land viable. We all know the history of McCain's. They are selling potatoes out of New Brunswick in Australia, so there are some very viable agricultural operations when you follow it through. But at \$35,000 for 1,000 acres to make it viable, it is pretty hard for me to buy that because I see lots of people spending \$300 an acre on irrigated land to develop it. So if we find ourselves in the situation where we have to have help to drain land at \$35 an acre to make it a viable proposition, then we are missing the boat. I suggest to you, senator, that you should buy the land yourself. You are a good potato man.

The Chairman: And \$35,000 does not come easy at times either.

Senator Michaud: But that \$35,000 was not to make a thousand acres viable.

Senator Hays: Well, I may have misunderstood you.

Senator Michaud: There is 1,000 acres, but they are not forming that 1,000 acres. There is just the potential. I think it was limited to perhaps 20 acres or 50 acres in the present operation. But they never had any problem getting rid or marketing their carrot production which is the main produce. Their market is for more than that. But they were stuck because they had no money to start with.

Senator Hays: Mr. Chairman, I can show you places in northern Alberta where people are now bulldozing out trees to recover land that never will be viable. It is a pity that they are doing this sort of thing because they only have 90 frost-free days in this area. So they are trying to develop this land which would be better left in trees. We only use about 5½ per cent of the land in Canada, and maybe we are using too much. It would not disturb me if we were to put land back into trees; all kinds of operations of this kind are going on in Ontario. I cannot see anything wrong with that. Then you also have the labour problem. There are places out west where we cannot get help even though we are paying \$600 a month with room and board. That is the situation that disturbs me.

The Chairman: You have to pay more, senator, and you have to raise your sights.

Senator Fournier (Restigouche-Gloucester): Mr. Chairman, there is no doubt in my mind that the biggest factor involved in unemployment is the fact of people leaving the farms and some other industries. I think it might be a solution to some of our economic problems if we could take half of what is being paid in unemployment and social assistance and put it into economic programs for industres like agriculture. We would be very far ahead if we were to do this. In New Brunswick we are short of everything we need except, perhaps potatoes and blueberries. Referring to what Senator Michaud said about that bog, we are short of vegetables and there is a good place there to grow a lot of vegetables, and it is close to the City of Moncton. But then you come up against the problem of putting it into production. Now if a big firm wanted to put in into production, and it might interest somebody like McCain's, then it would go ahead and do it and the government would probably subsidize it. But it would be a different situation if farmers wanted to do it by way of a co-operative or something of that nature. But I think it would be done if they were to spend a little money, probably even a little part of what is now being paid on unemployment insurance and social assistance right now in New Brunswick. I

am not saying that we should give farmers money for doing things like this, but we should have some kind of schemes to help them. We have an experimental station in the western part of New Brunswick which serves very little purpose for the eastern part of the province, and what we have been asking recently is that an experimental farm or demonstration farm should be established for the farmers on the eastern side of the province, for example, close to Moncton. If we are going to save agriculture in New Brunswick, then we have to be prepared to put some money into it. Right now the province does not seem to be doing too much, and unfortunately all the other schemes are shared by both governments, and they just do not seem to be putting very much momey into eastern New Brunswick and I am very sorry about that.

The Chairman: I shall come back to Senator Michaud in a moment but I should like to put a question here. It has been suggested that DREE has been moving towards withdrawing from rural development and shifting towards a more urban development emphasis in the Maritimes. Is this true?

Dr. McIsaac: Not to my knowledge and information. But perhaps Mr. love would care to comment on that.

Mr. Love: Mr. Chairman, I think that view which is held by some people is probably based to some extent on the early emphasis on what was described as the growth centre concept which was based on the view that if you are going to tackle the disparities affecting the Atlantic region as a whole, you have to pay a good deal of attention to the economic health of some of the major urban centres such as Halifax, Moncton, Saint John, St. john's, Newfoundland, and so on. It is true that a fair amount of emphasis has been placed since 1969 on endeavours to improve the general quality of the major urban centres which, of course, provide or have the potential to provide a wide range of business and other services to the primary industries and employment opportunities. To that extent I suppose there is something in the statement, but I think it is also true to say that the overall DREE program has always placed a fair amount of emphasis on the rural development aspect of the situation and under the General Development Agreements there is a pretty pronounced tendency to focus on major sectoral agreements such as forestry, mineral development, agriculture and so on along with a number of agreements that relate to particular regions such as northeastern New Brunswick and Kent County. So I would be inclined to say that altough we feel it is important to maintain the momentum that has been achieved in some of the urban centres in Atlantic Canada, if anything the shift and the momentum is to sectoral agreements affecting the primary industries including agriculture.

I am no expert on some of these product areas, but I would like to comment just briefly with respect to livestock. There is no doubt that during our policy review three years ago we concluded after consultation with a large number of people that one of the potential areas in which there were substantial opportunities was related to beef cattle and a number of other types of livestock in New Brunswick in which the product had fallen rather dramatically over the years. When we began to dig into that we found, using a kind of systems approach, that there were all kinds of elements to that problem. One of the most significant of these elements had to do with the availability of facilities for feed grain and feed production. This is why under the agricultural agreement that we now have with New Brunswick there is a fair amount of emphasis on

the establishment of a kind of integrated feed production network, including facilities for feed grain, protein, storage, drying and distribution. When we investigated that situation three years ago we found that the facilities in New Brunswick in that particular area, which is so important to livestock production, were clearly inadequate. One of the main thrusts under the agricultural agreement is to endeavour to do something about that during the next few years. That is just an example of the approach that is being taken.

Senator Hays: Mr. Love, why would you be endeavouring to raise cattle? We are losing \$50 to \$60 a head on every one we raise. We have a fantastic surplus and fixing up facilities and paying freight assistance on feed down to that area to exaggerate a problem is a very serious matter. Last week I believe we killed 62,000 head and our market is for only approximately 54,000 head. We dribble some of these cows across the border and so on. In my opinion we should take a long look at this aspect of it. Doctor McGrand mentioned an example of the expansion in grazing. There will be 40,000 more cattle on 40,000 more acres in Alberta and the operators will go broke. Why do they want to knock all those trees down to make the situation worse? Also, every time there is a drought or anything of that nature in the area they are the first to holler. We were the people who made the situation worse. Representatives of the Farm Credit Corporation are here and I would ask them how much they will lend on an acre of land.

The Chairman: We will ask them on their time.

Senator Hays: They will say they will lend \$50 an acre and we say, why not lend \$200? Their reply will be because the man cannot make it. They study the economic problems.

Senator Michaud: I just wish to comment on Senator Hays' remarks. I do not argue as to the advisability of clearing land in northern Alberta or northern Ontario. I simply wish to say that when we speak of New Brunswick we are referring to a \$540 million local, food market of which 65 per cent is imported from the provinces of Ontario and Quebec; not Alberta, Senator Hays.

Senator Hays: What about the feed grain? They pay the freight all the way out.

Senator Michaud: Kent County alone buys \$14 million of food stuffs yearly and when I referred to St. Charles a little earlier I was not speaking of a remote area. It is 30 miles from Moncton, which is the heart of the province—I hope there is no one from Saint John here! When we are discussing the possibilities of Kent County we are not discussing the possibilities of a remote area. I say it again: It is located at the doorstep of the market centre of the province of New Brunswick and the Maritime provinces. It is also densely populated, with an unusually large number of people constantly seeking employment.

Dr. McIsaac: Senator Michaud makes a pretty good point. It is not entirely comparable to some of the arguments put forward by Senator Hays with respect to some marginal or, if you like, questionable economic land in northern Alberta. Here is land that has for the past 30 or 40 years been made productive and competitive with other areas of New Brunswick and your question is as to why is it not so today. I return to the point made by Mr. Love from the point of view of DREE. These areas have been identified to us and to the department. They, in turn, have

signed an agreement with the Province of New Brunswick and it is up to the provincial Department of Agriculture—I suppose a decision with respect to an illustration station would be a federal responsibility, but surely there must be other things and steps, some of which are along the line, which would at least utilize the resources available there now.

Senator Norrie: I have listened to all these remarks and they are all very pertinent. There is one thing which I believe Senator Hays brought up with respect to research, which has bothered me for quite some time. I do not think there is one speck of research carried out to encourage the small farmer. I believe they are trying to phase them out and will not spend a cent in an attempt to keep that viable little knot of small farms operating. They are not interested and have no intention of spending any money and in my opinion that is the reason they will not lend or back funds to go into Kent County. I do not see why this has to be, because I believe there will be a revival of the small farm. We will see small communities springing up, as is now happening in Nova Scotia, for instance, with recreation centres, schools, churches and community centres. They are rather remote, but they are very healthy little places and they must be surrounded by little farming areas and small businesses. It seems to me that that is where DREE comes in

I am also very concerned about DREE. It is a very good organization when you come down to it, but they emphasize an awful lot of petty points, which puts people off. I have been involved in two or three and have found it impossible to get over that hump. DREE will not assist a neighbour of mine because he wants to enlarge a \$5,000 building and get a mobile unit in order to move material from one place to another but, no, they do not spend money on mobile units. They would spend \$75,000 on this place without any problem and it appears to me to be stupid that the man cannot obtain \$25,000.

Senator Michaud: He would probably get it if he was ready to move into the next field.

Dr. McIsaac: Your point, senator, I suppose relates to a tendency which has grown in the country, whether the agency in question be federal or provincial.

Senator Norrie: He never mentioned provincial agencies. I was surprised to hear that DREE had any relationship to provincial agencies.

Dr. McIsaac: It does very much, as we work through the province in that sense. However, returning to your other remark with respect to the small farm and the economics thereof, I suppose that relates to the points made by Senator Hays and Mr. Love with respect to the beef industry. Certainly, whatever future the beef industry may have in that area does not lie in going on as we have done for years—I stacked lots of hay in my day, fork after fork and if we got five or six tons handled by hand in a day we were doing well. In the largest beef areas today bales of 1,500 pounds are rolling out every 15 minutes.

Senator Norrie: I do not believe the beef aspect of this has very much relevance to Kent County.

Dr. McIsaac: It is one of the things that may or could. With respect to your individual request, perhaps the bureaucrats in this case would have a counter argument that the gentleman may need to spend up to \$70,000 to make a good economically viable unit.

Senator Norrie: He was wrong, mister!

Dr. McIsaac: He could very well be.

Senator McDonald: Mr. Chairman, I have two questions. They may be answered today, or the information can be supplied later. What are the specific accomplishments in agriculture today in Kent County out of the Kent County pilot project? Secondly, have they identified any opportunities for viable agriculture in Kent County? I am not in any hurry for those replies. If I can get them later in writing, that will be satisfactory.

I want to come back to the proposals on blueberries, cranberries, fruits and vegetables. If there are two million acres under production in New Brunswick, that represents a lot of fruit, vegetables, cranberries and blueberries. I know we are not going to solve New Brunswick's problem by growing any one specific crop.

Senator Michaud: We can grow many traditional crops.

Senator McDonald: It will be a lot of different activities. Senator Hays referred to pushing down bush in northern Alberta and northern Saskatchewan. I often wonder just how much grass can be grown after we get the trees down, how viable the grass will be, and how many pounds will be put on a carcass of beef.

In connection with some of this two million acres taken out of agriculture, which was probably marginal land to begin with, is there not a future for growing trees? Perhaps we could knock them down in Alberta and plant them in New Brunswick. Is there not a part of this two million acres that has gone out of production which might have some future in the forestry and pulp industry?

Dr. McIsaac: I would think very much so, senator. Probably we could be doing more in terms of dollars in the forestry industry in New Brunswick.

Senator McDonald: I understand that some of this land is being bought up by pulp companies and undoubtedly will be used for the production of pulpwood. I am not sure how many years it takes for a tree to grow to maturity. About 40 years, I presume. Is there any opportunity for a farm family to put their land into a woodlot? I know that a farmer cannot wait 30 years for a tree to mature before he gets his first pay cheque, but is there some way whereby people can be kept on the land through progress payments? Why wait until the tree is mature and get all the money at once? Is there not some way that those people could be kept on the land and make a living in the forest industry, not as a lackey of the pulp company but as their own entrepreneur, doing their own promotion and management? They may have to have assistance because of the length of time it takes to get a return from the crop. Is there any hope in some parts of New Brunswick to do this?

Dr. McIsaac: Mr. Chairman, it is an excellent suggestion. I will ask Mr. McPhail to comment on it.

Mr. McPhail: Mr. Chairman, we have a rather large forestry sub-agreement with the Province of New Brunswick. One of the elements under that sub-agreement has to do with private woodlots. According to our calculations, about 25 per cent of the productive forest in New Brunswick is owned by small woodlot owners. There is a program to make this readily accessible and generally a more highly productive resource by improving the effectiveness of a range of activities including growing, harvesting, marketing, organization, extension work, and so on.

I have not details on precisely what initiatives under each of those headings are in progress but it is a program that has been in effect for approximately two years. It involves examination of the management requirements for small wooodlots, identification of a system of group action, if you want to call it that—associations for woodlot owners—and something of the development of a systems approach to harvesting on their own private lots. It includes some sort of incentive program to private growers in order to expand the Christmas tree industry, and an incentive program for improvement of stands of timber on private woodlots.

The Chairman: We propose to close our meeting at 11 a.m.

Senator McDonald: I would like an answer to the question of how much land a farmer or a woodlot operator would need in trees to make a viable living for himself, his wife and three children.

The Chairman: We will take the answer at a later date.

Senator Molgat: What coordination is there between Agriculture, Wildlife, and whatever other departments may be involved, insofar as concerns our broad policies for land use? I see at the moment in my province a great deal of land being cleared, which certainly we always considered should not be cleared—the kind of land that should have been left as poplar bush.

On the other hand, we have land in Senator Michaud's region that has been cleared and is not being used. What kind of coordination is going on between our various deparments as to what we want to do with our land in this country, and what kind of policies we should follow insofar as development? I suspect that some departments are prepared to give grants for the clearing of land, and others are prepared to give grants to preserve land in its original state.

The Chairman: All the same land, too.

Senator Molgat: I think we require coordination here between the various departments involved.

Dr. McIsaac: Senator Molgat raised an important issue, one that is coming more and more to the forefront, in terms of agricultural organizations as well as governments. We have a federal responsibility. Primarily it has been in the hands of the various provincial governments. It is an area

which deserves much better attention than it has been getting.

The Chairman: At a later date I would like to ask the question as to whether DREE has a policy with regard to land banks. In other words, the province of New Brunswick may come along and say, "Here is a certain quantity of land. We are not positive today whether it should be in agriculture or forestry, but we think it should be under the control of the government so that this decision might be made at a later date." Is that a possibility? Is the department against it, or what?

Senator Norrie: There is a \$3 million pilot project in New Brunswick. I was wondering how that money is being spent.

Dr. McIsaac: You are referring to Kent County?

Senator Norrie: Yes.

 $\mbox{\bf Dr. McIsaac:}$ In the light of the time factor, Mr. Chairman—

Senator Norrie: Could you send in your reply?

Dr. McIsaac: Yes. We would be in a better position to prepare it, and will make it available. We will also go through the various remarks which have been made.

Senator Hays: I have one final question. I would like to ask Mr. McPhail how much a pound he would have to have for blueberries in Kent County, and how many acres to make it viable; also, what would the price of blueberries have to be?

The Chairman: I would like to pose another question: Is it not better to get into the beef industry when prices are low than to get in at the peak?

Senator Michaud: With regard to Senator McDonald's comment, my concern, so far as Kent County is concerned, is not in respect of millions of acres. It concerns 88,000 acres of number three and four class land, which is fast disappearing under growing bushes.

The Chairman: This has been a useful meeting. We thank Dr. McIsaac and the others for attending this morning. I am sure that I express the sentiments of the committee when I say that we would very much like to have you back at a future date.

Dr. McIsaac: We will be glad to return. Thank you.





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FIRST SESSION—THIRTIETH PARLIAMENT 1974-76

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 33

TUESDAY, MAY 11, 1976

General review of the Farm Credit Corporation policy and performance, with specific respect to Kent County and the province of New Brunswick.

(Witnesses—See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue McDonald Blois McElman Côté McGrand *Flynn McNamara Fournier (Restigouche- Michaud Gloucester) Molgat Greene Norrie Haig *Perrault Hays Sparrow Inman Williams Lafond Yuzyk—(22). MacDonald

(Quorum 5)

^{*}Ex officio members

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate;

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the committee have power to sit during adjournments of the Senate.

That question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Tuesday, May 11, 1976

The Standing Senate Committee on Agriculture which earlier this day had examined another subject-matter, resumed its deliberations at 11:05 a.m. and commenced its review of the Farm Credit Corporation policy and performance, with specific respect to Kent County and the province of New Brunswick.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Hays, Lafond, McDonald, McGrand, Michaud, Molgat and Norrie. (9)

Witnesses:

From the Farm Credit Corporation:

Dr. B. H. Kristjanson, Chairman;

Mr. P. A. Lanoix, Director-General, Finance, Administration and Personnel;

Mr. J. M. Day, Director of the Lending Branch;

Mr. Brian H. Strom, Executive Assistant:

 $\operatorname{Dr.}$ M. E. Andal, Director of Research and Farm Management;

Mr. J. E. Brassard, Legal Counsel;

Mr. J. Burns, Director, Loan Administration and Special Programs Branch.

The Chairman of the Farm Credit Corporation made an opening statement.

The witnesses answered questions put to them by Members of the Committee.

At 1:05 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, May 11, 1976

The Standing Senate Committee on Agriculture met this day at 11 a.m. to conduct a general review of the Farm Credit Corporation policy and performance, with specific respect to Kent County and the province of New Brunswick.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, appearing this morning is Dr. Kristjanson, Chairman of the Farm Credit Corporation. He has with him a number of officials, whom I will ask Dr. Kristjanson to introduce.

Dr. B. H. Kristjanson, Chairman, Farm Credit Corporation: Thank you, Mr. Chairman.

Accompanying me this morning is Mr. Lanoix, Director-General, Finance, Administration and Personnel and Mr. J. M. Day, Director of the Lending Branch. There may be some questions in both of those areas. In addition, we have Mr. Brian Strom, my Executive Assistant. He is generally aware of everything that goes through the office. We also have a longstanding friend of yours, Mr. Chairman, in Dr. M. E. Andal, Director of Research and Farm Management; Mr. J. E. Brassard, our Legal Counsel; and Mr. J. Burns, Director, Loan Administration and Special Programs Branch.

Without really knowing the precise area on which the committee would be zeroing in, and anticipating as best I could, these are the officials I brought with me.

The Chairman: Perhaps you could make an opening statement setting out where you are at, where you hope to go, and what you want Parliament to do for the corporation and for the country in the near future.

Dr. Kristjanson: Mr. Chairman, I have no prepared statement as such. I rather understood this effort to be one of a continuation from our appearance last year, which we found very helpful. I was told that there could be a fair amount of questioning with regard to Kent County and that area, which I would welcome. I spent as much time as I could in trying to understand that situation.

In general terms, and perhaps just to lay the groundwork, I might say that it would be relevant to the discussion to understand that last year, partly due to the tremendous publicity surrounding the amendments to the Farm Credit Act and partly due to the generally buoyant conditions in agriculture, we had applications for loans that exceeded any projections that we could reasonably have made. Around the middle of June, at which point we would normally have had a fairly good indication of total demand, we were running only 7 per cent above normal. By that time, we still did not have any statistical evidence that there would be the upsurge we experienced. By the middle of September, it was clear that something had

happened. The farming population had decided, apparently, that there was a real future in agriculture, and as a result of which we were out of money. Concurrent with the increase in demand, land prices rose quite rapidly, and at that time we were faced with the question of whether we should simply say that there was no more money available, which was in fact roughly the case, or to continue to take applications for loans subject to the money becoming available.

Concurrently with this increase in demand, the government, in its anti-inflation program, reduced the money available to us by \$20 million. We elected to continue to take loan applications, subject to disbursement when funds became available, which has resulted in the corporation entering the current fiscal year with \$172 million worth of loans that had to be disbursed out of the current fiscal year's resources.

The total amount of loans processed last year was in the area of \$640 million, which was considerably above normal. As a result, we were faced with what to do with the restricted capital budget in the face of these tremendous demands. Our judgment was that the Anti-Inflation Program is basically sound and, in any event, as a crown corporation, there was nothing we could do, even if we disagreed with it, except to comply with it. So we took a totally positive view. We asked ourselves the question: if we had only half as much money to lend in this fiscal year in relation to the last fiscal year, how should we go about lending it? We decided that the only prudent thing to do would be to make available to all farm organizations and those interested an approach which would, in effect, make the resources that we do have stretch as far as possible to those people most urgently in need. These we define as those who are at or near the margin of viability. We knew that if we adopted that standard, we would literally utilize all the resources we had available. We were cognizant of the fact that there is an emphasis on getting young people started in farming, and we retain that. What we have said is that if any proposition comes to us from people who may not be quite viable, but who with the loan and with counselling can make a go of it, that is our priority. Secondly, those who are at or above the margin who can improve their productivity and long-term prospects are also within our bailliwick.

We have operated in this way now for three months. It is too early to tell what the effects will be, except we know that we are helping these kinds of people. The people we are not helping or able to help are those who, for one reason or another, wish to add land to their unit, wish to put in new silos, wish to do one thing or another above and beyond a reasonable expectation or reasonable standard of living.

We make no apology for this. However, it does have some longer term implications for the productivity of agriculture in Canada. Given the fact that we have to reduce our loans so drastically this year, I think we had really no alternative but to focus on the needs of those who needed it most. In the long run it may not be bad once in a while to turn the tap off, in terms of the amount of money that is chasing a fixed amount of land. There is a great debate as to whether the Farm Credit Corporation in fact influences land prices significantly, but I submit that there are very few parts of the country where a parcel of land is sold without an eye to what the Farm Credit Corporation has said. I therefore think that one of the benefits, if it can be termed that, of limiting us in resources is that we have flagged what might have become an unnecessary inflation of land values.

I should like to add, with the greatest appreciation to members of Parliament, the Senate and members of farm organizations, that we have had the utmost co-operation across Canada, I think partly because we have said it the way it was: "This is the amount of money we have. This is what we are going to do." Whether this kind of co-operation or good feeling could extend for another year or two I do not know. I would like to confine these remarks to the current year. It is our opinion now that we will be able to take care of the needs of those who really need financial assistance, within the terms of the act.

The Chairman: How soon would you run out of money this year?

Dr. Kristjanson: It will likely be around the middle of September again. We would expect to continue to process applications for disbursements, but at a much lower level than in the past year.

I think, Mr. Chairman, that this lays the ground work for discussion.

The Chairman: Perhaps I might be pardoned, if it is agreeable to the committee, if I read into the record a paragraph from the submission of the Canadian Federation of Agriculture made to our committee yesterday, related to this whole subject. On page 16 of their brief they say:

With the contraction in the funds available to the Farm Credit Corporation, it is being forced to move strongly into the position of a lender of last resort. We deplore this direction. Given the constraints on its lending capability, we do not criticize the FCC's decision to concentrate its limited funds on smaller farms, and borrowers of greatest need. Our point is that the implications of this basic trend of policy is that a valuable and important tool for using the credit system to help encourage the long-term development of the family farm structure of Canadian agriculture will be lost. We cannot think that the results can be good. Alienation of the ownership of the land from the operator of it will be encouraged. Criteria for lending will lose any character of social policy that they now possess. In human terms dealing with financial reverses suffered by farmers will be less sympathetically and constructively dealt with.

We think in fact that the policy direction of the government in farm credit should go the other way—toward the development of a fully integrated farm credit service for long term, intermediate and short term needs.

Would you care to comment on that?

Dr. Kristjanson: Yes, I would appreciate being able to comment on that. Over time the federation has expressed

concern about the limit to which we can lend, and more recently, as their brief suggests, the concept of being a lender of last resort. We have been asked by the Government of Canada to examine the availability of other funds entering the market, namely the banks, credit unions and so on in the long term. For about three years there have been discussions, and I think a study, and I believe it is fair to say that the banking sector is looking with some anticipation towards being able to enter the market in a larger way. However, this study is internal to the Government of Canada. I suppose it might be available to the Senate, but it is indefinite at this point. There have been submissions clearly indicating that the banking system would wish to enter the market in a larger way, given certain conditions.

That is all I would like to say about that. My own personal view is that the position taken by the federation is a better one, which is that the Farm Credit Corporation ought to be in a position to provide the capital necessary for the on-going maintenance of a viable family farm system, which would include not only funds required for land but, more particularly perhaps, for the intermediate term credit. Whether or not you add to that the short-term credit, which the banks are doing quite a good job on, I do not know. I am firmly of the opinion that to do a job the Farm Credit Corporation ought to remain the lending organization for Canadian agriculture, and it should be strengthened to the point where it could take care of the long-term plus the intermediate term requirements.

The Chairman: You and the Canadian Federation of Agriculture might not be all that far apart in your concept at a later date. Today you are following this specific line for particular reasons, but these reasons may have gone in a year from now, or even less.

Senator Hays: Doctor, you are saying you are restricted as to funds. How do you take care of people? Are there a lot of people refinancing because of the increased price of land, or extending their mortgages and that sort of thing?

Dr. Kristjanson: I know the answer to this but I would like Mr. Day to answer it because he may be able to give you some specific cases.

Mr. J. M. Day, Director, Lending Branch, Farm Credit Corporation: We have always had a demand for refinancing, particularly when our interest is quite a bit more favourable than the prime rate out in the market. We are not able to take care of those refinancing requests this year, if the man can survive at all under his existing arrangement.

Senator Hays: You just tell him to hold the fort, sort of thing?

Mr. Day: Yes.

Senator Hays: Have you had many foreclosures this year; more than usual?

Mr. Day: There are not as many as usual.

Senator Hays: Are they in certain areas?

Mr. Day: There are more in some areas than others, yes. The foreclosure procedure varies with each province. In some provinces you have to go farther along the enforcement role than in others. The most foreclosures are in the province of Alberta.

Senator Hays: What areas in Alberta?

Mr. Day: I do not know that I could give you an accurate answer on that. I would say it is more predominant in the northern areas.

Senator Hays: More in the newer areas, I see. We were dealing with Kent County this morning and I am wondering what the maximum loan is that you would make to a Kent County farmer, per acre.

Senator Molgat: They do not make any in Kent County.

Senator Hays: You probably have applications in Kent County.

Mr. Day: Yes, we do, and we have the same lending policy in Kent County as we do in other parts of the country. The maximum loan obtainable under the Farm Credit Act to a person under 35 years is \$150,000. We would entertain an application in Kent County just the same as we would in any other part of the country.

Senator Hays: What is your maximum per acre?

Mr. Day: We do not have a maximum per acre. The maximum loan is based, first, on the estimate of the repayment ability of the applicant, under his plan of operation with his combination of resources.

Senator Hays: How many of those loans do you have in Kent County of \$150,000?

Mr. Day: I have not the precise answer here. I have the amount of lending in Kent County last year, and we made seven loans in Kent County last year. The average size would be approximately \$50,000.

Senator Hays: How many applications did you get for \$150,000?

Mr. Day: I do not have that figure with me.

Senator Hays: Could you give us that figure?

Mr. Day: Yes, we could get that.

The Chairman: You are talking about Kent County, are you?

Senator Hays: Yes, you made seven loans averaging \$50,000 in Kent County. How many of them were blueberry loans?

The Chairman: I am sure you could ask a more important question than that.

Senator McDonald: That is a lot of blueberries.

The Chairman: I would ask this question: To what extent do you feel that \$150,000 is adequate to provide capital for a viable farm? It is worth less every year and at some point it will not be enough. Is it enough today, or is it not enough today, or how do you feel about it?

Dr. Kristjanson: This relates somewhat to what I said earlier, that it is of some concern to me that land values continue to rise in an uncertain market. However, I would grant you that if \$150,000 was correct in, say, 1974, it is not correct in 1976. That is demonstrable.

Going behind your question a little, as to whether the Farm Credit Corporation should be raising its maximum loan limits, I do not know. If you have a great deal of money to lend, you tend to lend it where it is easiest to

lend. It seems to me that a government agency should be spending most of its time in helping those that need it the most. Very often these are people who do not need \$150,000 but may need \$50,000 or \$60,000 and so on.

The Chairman: I would add my own comment and say you are 100 per cent right that it was enough a few years ago but it is changing so fast that \$150,000 will not be enough.

Senator Molgat: There is a good deal of concern about the purchase of land by non-Canadians. What is the policy of your group in regarding loans? Is it strictly to Canadian citizens, or what?

Dr. Kristjanson: Absolutely, by the act, or to those with landed immigrant status.

Senator Molgat: What happens with a corporation where there may be a number of people involved? What is your policy?

Dr. Kristjanson: I wonder if I could ask Senator Molgat to define "a number of people involved".

The Chairman: How many Americans?

Senator Molgat: Let us say there is a corporation where there is one Canadian citizen and five non-Canadians.

The Chairman: And the Canadian citizen is the one applying.

Dr. Kristjanson: It is not a corporation.

Senator Molgat: Let us take it both ways then; one, where it is the Canadian citizen applying but he has other people involved in his operation; or, secondly, where it is a corporation.

Mr. Day: Well, under our terms of reference we can only lend to Canadian citizens or those with landed immigrant status. If it is a corporation, we look at them in their personal capacity and if there are non-Canadian citizens or those without landed immigrant status in that corporation, who would be benefiting in any way from the loan, we would decline to lend.

Senator Molgat: You would decline the loan?

Mr. Day: Yes.

Senator Hays: That is in the act.

Senator McDonald: Mr. Chairman, regarding the single family dwelling units in urban centres built probably ten years ago, which sold for \$35,000 and had a \$25,000 mortgage on it at 6¾ per cent, today in some instances the house, without ever changing hands as far as ownership is concerned has a \$75,000 mortgage at 11 per cent. This is not unusual. Is there any of this going on as far as farm land is concerned?

Mr. Day: To some extent.

Senator McDonald: Your mortgage has increased tremendously but you have the same land that you had under the original mortgage?

Mr. Day: To some extent, Senator McDonald. As a rule, the mortgage goes with the land. We do not like to see people buying up properties that would not be eligible under the act, but it is very difficult to enforce that. This is under provincial law, again. It was always felt that our

borrower should have the benefit of any preferential interest rate. In selling the farm he would get more for the farm if he had a preferred interest rate. With the latest amendments to the act, a person getting another loan does not have to roll the previous loan over necessarily. We can lend on other than a first mortgage now.

Senator McDonald: This point I am trying to make is where there is no change of ownership. If I had a mortgage on a section of land for \$50,000, for argument's sake, could I mortgage the same section of land for \$100,000? Is that possible?

The Chairman: With farm credit?

Senator McDonald: I am talking about on the land, never mind the cattle or the machinery or anything else—on the land alone.

Mr. Day: You can retain your first loan now without rolling it over into the new loan and retain the interest rate you held on the first loan, if it is a benefit to you, and get your new loan subsequent to the old loan.

Senator Macdonald: You missed the point. Assuming there had been no change of ownership, would you give a loan on a section of land for more money than the original loan?

 $Mr.\ D\alpha\gamma\text{:}$ Yes, if it is within the limits of the act, certainly.

The Chairman: If I may say so, Senator McDonald, I know of a case in point where a man had a certain piece of land with a first mortgage and he went to the Farm Credit Corporation and said he wanted to go into the industrial milk business. He needed a barn and so on and they gave hime more money on the same piece of land.

Senator McDonald: That really does not answer my question, because I was talking about the same assets. Never mind equipment and livestock and so on. Is it possible for a person with a section of land to increase his mortgage without adding any new assets by way of machinery, land, improvements, or going into the dairy business or anything else? Is it possible just to increase his mortgage on his original asset without changing it?

Mr. Day: Providing he goes for one of the purposes under the act, we can lend the money, yes.

Senator McDonald: You are still not answering my question, because you say, "providing he goes for one of the purposes under the act," but that would be if he were to add a herd of livestock, for example, which would increase his assets. But if he had no increase in assets, if he had exactly the same section of land . . .

The Chairman: You would want to know what he was doing with the money in your illustration.

Senator McDonald: What do people do in a home? They spend the money.

The Chairman: Well, do you mean going to Hawaii, for example? He could hardly get the money from the Farm Credit Corporation to travel around the world.

Senator Hays: Can you tell me what the present value of land is now in Alberta, Saskatchewan, Manitoba and the Maritimes? What has been the increase in land as an asset in the last 18 months? What is land now selling for?

Dr. Kristjanson: I would ask Dr. Andal to comment on that.

Dr. M. E. Andal, Director, Research and Farm Management Branch, Farm Credit Corporation: Mr. Chairman, I have here certain Statistics Canada data on land values. Statistics Canada conducts a survey once a year. The latest one conducted was in the summer of 1975 in about the month of June. That survey showed that there was an increase of about 24 per cent in land values over the prices prevailing in 1974. The average land value per acre for Canada was \$218. That per acre figure is not too significant because values vary so much from one province to another, from one county to another and from one farm to another. But the trend is quite significant, I think: a 24 per cent increase from 1974 to 1975.

The 1976 figures are not yet available. The survey will be conducted in the next month some time. From our own staff across the country, however, we have an estimate that there has already been an increase of roughly 15 per cent since 1975.

Senator Hays: In other words we have had an increase of 40 per cent in the last 18 months to two years. There are a million acres of irrigated land in Canada. Have you any price on what irrigated land is selling for?

Dr. Andal: No. I have no figures here.

Senator Hays: Are they available?

Dr. Andal: Yes, we would have those.

Senator Hays: How do they relate to American prices?

Dr. Andal: They correspond quite closely to American prices, actually. Quite often American prices lead ours by one year. In other words, our prices this year have not gone up as much as the previous year, and that trend actually showed up in the American data as well.

Senator Hays: Would you have available the comparable prices of land in Saskatchewan, the Regina plains and North Dakota? Do you know if there is much difference in the prices?

Dr. Andal: I do not have the North Dakota comparables, but in Saskatchewan I believe the prices for the best land are running up to \$300 and \$400 an acre. They are probably higher than that in North Dakota.

Senator Hays: Would the Regina plains be up to \$400 to \$500 an acre?

Dr. Āndαl: I have not heard of \$500 an acre being paid for land in the Regina plains.

The Chairman: Just on that point, I made a telephone call the other day to Flaxville, Montana, which is straight south from a point midway between Moosejaw and Regina about ten miles inside Montana. It is not special land. I wanted to know what wheat land was selling for and the figure given to me was about \$250 an acre. I phoned Scobie, another town about 15 miles away, and asked the same question. The fellow hesitated and then said, "Between \$300 and \$350 an acre." I think you can take it from that, that the cost of land in Montana would be a little higher than the cost of comparable land in Saskatchewan. But the cost of land in Saskatchewan is going up pretty fast.

Senator McDonald: Could you tell me what the per acre average price of land was in 1966 in Saskatchewan?

Dr. Andal: I do not have the per acre figures here, but on an indexed basis, with 1961 equalling 100, Saskatchewan was then 206. In other words, in 1966 it was about double that of 1961.

Senator McDonald: What was it in 1971?

Dr. Andal: In 1971 it had gone down to 187.

Senator McDonald: And in 1975?

Dr. Andal: In 1975, the latest year available, it had risen to 351.

Senator McDonald: And in 1961 it was 100, you say, that being the base year.

Dr. Andal: That is right.

Senator Hays: You sold too quickly.

The Chairman: Maybe that is better than selling too late.

Senator McDonald: How did I hit that low point?

Senator Molgat: Mr. Chairman, how many provinces have farm loan structures of their own?

Dr. Kristjanson: Mr. Chairman, I am sorry I cannot answer that off the top of my head. Generally speaking, the provinces are trying to move out, and whether they have it on the books or not is one question, but what they are actually lending is another.

Senator Molgat: Is there a conflict between the federal structure and the provincial structures in that area? Is it a source of difficulty in so far as your operations are concerned?

Dr. Kristjanson: Senator Molgat, actually quite the contrary has prevailed. I believe I am correct in saying that there has been a high degree of co-operation, for example, if we take just our own province of Manitoba, between the federal staff of the provincial credit corporation and our own staff. In the Small Farm Development Program, for example, there is a great deal of co-operation between MACC and the FCC. In Alberta the same degree of co-operation occurs.

I think the problem arises when a resident, if he cannot get it in one place, tries to obtain it in another place. Perhaps that is what you are getting at. It just takes a few months to work that out, because if a province decides that in view of the shortages of funds on the part of the Farm Credit Corporation it is prepared to go in, good and well. That is that province's business. My observation is, however, that in no case is a province taking that course now. There is such a tremendous shortage of capital, over all, that every province has to conserve its capital funds.

Senator Molgat: This has not been a source of difficulty for you in your operation?

Dr. Kristjanson: Nome whatever.

Senator Hays: Are the foreclosure laws the same in all the provinces?

Mr. J. E. Brassard, Legal Counsel, Farm Credit Corporation: They vary, senator, as you probably know. In Ontario, for instance, we do not use foreclosure action; we use the power of sale, which is, as you know, provided

under the mortgage. You have foreclosure action in Manitoba, but there they have something of a mixture of foreclosure and power of sale, because in Manitoba you need the registrar's approval before you go ahead. It varies from province to province.

Senator Hays: But it is about the same everywhere?

Mr. Brassard: The outcome is the same, in effect.

Senator Molgat: On the federal side there is still the Veterans' Land operation. Are they lending money, or is that finished now? And what coordination is there between that operation and yours?

Dr. Kristjanson: I would like a veteran to answer that.

Mr. Day: It is still in our act that we can employ, or make use of, the staff of the Veterans' Land Administration in carrying out our operations, and we did last year, to some extent, in the province of Ontario. I have not kept right up to date with what the Veterans' Land Administration is doing. It is my understanding that they are not making any new loans, though they are making some additional loans to existing borrowers.

Senator Molgat: What coordination is there between their operation and yours?

Mr. Day: Other than the normal liaison between two departments, there is no specific coordination. They report to a different minister, and they are not members of our board.

Senator Molgat: Would there not be some advantage in having people from their board on yours, and vice versa?

Mr. Day: Well, when the Farm Credit Act was passed, repealing the old Canadian Farm Loan Act, there definitely was coordination at that time. We operated for two years with a joint staff, and ran into the usual difficulties that you encounter when you have two administrations, so it was decided that we would have our own staff in 1960. That is the reason why a number of us that were with Veterans' Land Administration came over to Farm Credit Corporation.

Senator Molgat: I realize I may be asking you a question that you cannot answer, but would there not be, at this time, some advantage in melding the two corporations, from the standpoint of better functioning and better service?

Mr. Day: I can see some advantages, and I can also see some disadvantages.

The Chairman: There is no Veterans' Land Act as far as new loans are concerned. They are going out of business, or have gone out of business, from that point of view.

Mr. Day: That is my understanding; but they are still servicing existing borrowers.

Senator Molgat: How much service do you give? Under the old system it was felt that the Veterans' Land Administration provided a good deal of consultation and service which I do not think at that time your administration was giving. How much service do you now give to a farmer in so far as advice, and checking, or whatever it may be, are concerned?

Mr. Day: Our act provides for three categories of loans. Under Part II there is the standard loan, and in that part

we do not have a definite follow-up service to the borrower; if he comes to us for counselling, we are there to listen to him and provide what counsel we can. Under Parts III and IV of the act we are required to provide a follow-up advisory service. Loans under this part are termed "supervised loans". We assist the borrower in setting up a system of farm accounts, we follow up his business, analyze it each year, and sit down and have talks with him, providing whatever guidance we think is appropriate to his case.

Senator Molgat: You do provide that service.

Mr. Day: Yes.

Senator Molgat: Which is basically what the veterans' land people did.

Mr. Day: Right.

Senator Molgat: Is there any reason, then, why we could not fit the two together?

Mr. Day: Yes. It could be possible.

Senator Hays: I do not know how you would separate the two empires.

The Chairman: One is a disappearing one.

Senator Molgat: In a period of austerity, when we have to be looking at better functioning of our system, is this one area where we could be looking at a melding of the two operations?

Senator Hays: I think that is an unfair question.

The Chairman: Why do you not introduce a bill in the Senate?

Senator Molgat: Well, I think I have my answer.

Senator McDonald: Dr. Kristjanson, I am looking at a copy of the address you gave to the National Farmers' Union in December, 1975, at page 10. This contains a table entitled "Assets of FCA Borrowers before and after Loan, Canada, 1974-75." The first column shows total assets. The first item is zero to \$49,999. It then says, "Before loan, 9.8 per cent of borrowers." What does that 9.8 mean?

Dr. Kristjanson: Mr. Chairman, it means that the people who came to us had assets of less than \$50,000 before getting a loan.

Senator McDonald: But what is the 9.8? Is that 9.8 per cent of your loans?

Dr. Kristjanson: No, of the borrowers. 9.8 per cent of the people who came to us for loans.

Senator McDonald: Of the total number of people?

Dr. Kristjanson: Yes.

Senator Mcdonald: And "After loan", that would only leave 2.2 per cent that were in the \$50,000 or less category after the loan was made. Is that correct?

Dr. Kristjanson: That is correct, sir, because you have to add the amount of the loan we made to the assets before the loan, so, you know, it is a natural thing for that percentage to go way down.

Senator McDonald: You told us earlier on, and I have read it in this press article, that these loans would be made, and you have described today who you would be lending them to. I presume, with the restrictions on the amount of money you have for loaning at present, that in many instances the loans this year would go to the two top categories in the chart you have drawn up. Or would that necessarily be so? Are there some people in this zero to \$49,999 category about whom, under the present restriction you might say, "It might be a better bet not to give this person a loan"?

Dr. Kristjanson: Mr. Chairman, that is indeed the case. In other words, the test for the loan is whether it is going to do the job. I said that we would lend money to those that were most in need. A person could well be fairly well up the scale, and be in quite some difficulty. If, on the other hand, he were to come to us and say he wanted to buy another quarter of land because he wanted some future capital gains, or something, he would clearly be out. In other words, the land consolidation part would tend to be at the lower end; that is, for a person who needs another quarter or another 20 acres, or whatever it may be, these loans would be at the lower end of the table of asset values.

Senator Mcdonald: One more question. Look at the bottom figure, which is total assets of \$199,950 and over. You indicate, "After loan, 30.8." Does that mean that 30.8 per cent of the people you grant loans to are now in this total asset bracket?

Dr. Kristjanson: Yes.

Senator Mcdonald: That is, in this bracket of \$200,000?

Dr. Kristjanson: Yes.

Senator McDonald: Am I reading the table correctly if I come to the conclusion that agricultural units are getting into a much stronger financial position than they have been over the years?

Dr. Kristjanson: Well, senator, I would hope so, for one thing; and, secondly, I would say so. The capitalization requirements simply go up year by year, if you are talking about viable farm family units. It is certainly not uncommon to be in a \$200,000 to \$300,000 category when it comes to total assets. That is not at all uncommon. Perhaps it is in Kent County, but not nationally.

Senator McDonald: But if they were not viable units, you would not be lending them the money.

Dr. Kristjanson: We would, if by the loan we could make them a viable unit.

Senator McDonald: That was not my question. If you were not convinced that the loan would put them into the position of being a viable unit, then you would not make it.

Dr. Kristjanson: We would not make it.

Senator McDonald: And that is why I have come to the conclusion, looking at this table, that the agricultural economy in parts of Canada is getting into much stronger hands than it has been in years gone by.

Dr. Kristjanson: Well, senator, there are two answers to this. In general the answer is yes. The second one is that we have to remember that there are people in different parts of the country who accept different standards of living and have different aspirations, and that we are not lending at the upper end exclusively; we are lending right across the whole range.

Senator Hays: Mr. Chairman, if land has increased 40 per cent, and if it is comparable with American land, then I don't think you can blame that increase on the Farm Credit Corporation because I think it follows from the price of grain and that sort of thing. However, with reference to your application for loans from the Department of Finance at 25 times the capital, probably this committee could give some thought to pointing out to the government that the money is insufficient now. It seems to me, and I don't know whether you would agree with this or not, that the Farm Credit Corporation is of great value to farmers right across Canada and I can see no reason why the government should not be participating. If it is good for them to lend \$100,000 or \$70,000 to somebody to build a house with a 35-year amortization, then it seems to me that a \$150,000 loan today is completely inadequate on some of these viable farms. This applies particularly where land has increased by 40 per cent. I suggest, Mr. Chairman, that we should not throttle the Farm Credit Corporation because of the anti-inflation bill. I think this might exaggerate a situation that we are concerned with down the road. So if we are not going to bother prices at the farm gate, maybe we should take a look at what is back of the farm gate as well. I think it is too bad to tie up the Farm Credit Corporation with these problems. A four-wheel drive tractor today costs \$40,000 and you cannot buy a 760-type combine now because I think they are about \$42,000. I think it is inadequate and I think we should not hold it while we let everything else go and say we will increase the mortgages on houses up to \$70,000 or \$80,000—and hardly anybody owns their own home in Canada today—while we are strangling a very important financial institution so far as agriculture is concerned.

Dr. Kristjanson: Well, I think perhaps I should respond to that, Mr. Chairman. I have said that we are living with the constraints that are imposed upon us this year. Secondly, I would say we are not yet in a position to quantify or say in definite figures what effects these constraints will have. We do, however, as a corporation believe that the present amount of money made available to us is unrealistic and that there has to be an upward adjustment. So, to that extent I would simply agree.

Senator Molgat: An upward adjustment in total?

Dr. Kristjanson: Yes.

Senator Molgat: And what about the individual?

The Chairman: I think they go together.

Senator Hays: I think Dr. Kristjanson dealt with this problem. If you look at the bank loans that are being given to viable farmers today for equipment to produce economically, you will find that they are much higher than they were. I don't know what the percentage is, but I would suppose that you would not believe that a bank would have done such a thing four or five years ago.

Dr. Kristjanson: Mr. Chairman, I think I should say for the record that one of the issues in Senator Molgat's question is the extent to which the private sector can come in. But if you ask me if we should raise the loan limit from \$150,000 to \$200,000 or \$250,000, then what we have to ask ourselves is this: once the public has put money at an advantageous rate up to \$150,000, is it reasonable then for that person to go to the commercial market? That is a very real question and one that the banks are asking.

Senator Molgat: What are the sources of credit available to farmers now? There is your operation, but what else is there?

Dr. Kristjanson: Mr. Chairman, believe it or not, there are not very good data available on how much is coming from each source. We know, of course, that the father lends to the son or to the daughter, and we know that credit unions make substantial loans and we know that the banks are very substantial lenders. There is a whole gamut of sources. But one thing that is causing us some concern now is the amount of Swiss or Italian money coming in to purchase land and then rent it out. That is a new source literally at the moment.

The Chairman: In all provinces?

Dr. Kristjanson: I cannot answer that. I would suspect there would be some in all provinces.

Senator Molgat: Do you have figures on that?

Dr. Kristjanson: No, they are not available, and the Canadian Federation of Agriculture is attempting to nail this down and they are having the greatest difficulty.

Senator Hays: These are leasebacks?

Dr. Kristjanson: These are people or firms who come in and buy land and then lease it back.

Senator Hays: Is there anything wrong with that? Most of these people also carry a double visa. They want to become Canadians. I know at least a dozen of them—and here we are speaking of Italian and French people, and of a politically sensitive area—and these people want come in here. I wonder if there is anything wrong with that. The only difference between them and you and me is that they are getting here a little later.

Senator Molgat: Would it not be useful for us to know what the picture is?

Senator Hays: Well, we can get that information from the Foreign Investment Review Board.

Senator McDonald: Senator Hays has made the point that I was trying to make earlier, that there is only so much money available in this country to put out in mortgages for new investment or anything else. The point I was trying to make is that if it is possible to refinance your home, an urban dwelling, and not from one owner to another but the same individual can go from a \$25,000 mortgage to a \$75,000, \$80,000 or \$90,000 mortgage over a period of ten years, this seems to me to be a waste of available resources. At the same time the amount of money that the Farm Credit Corporation has to lend to farmers in this country has been cut. It seems to me that our emphasis is on the wrong place. I do not believe that a person ought to be able to raise a new mortgage on his home simply because of inflation. His mortgage payments and monthly interest rate have not changed. This was the point I was attempting to make earlier, and I agree entirely with Senator Hays that sometimes we have our priorities mixed up.

The Chairman: It seems to me, and it has done so for some time, that the date of changing the interest rate of the Farm Credit Corporation leaves much to be desired. I believe that one date of change is April 1, and if the farmers were to feel that the rate of interest would increase they would all apply for early loans. On the other

hand, if they thought the interest rate might decrease they would wish to postpone their loans. I wonder if it would work better for the Farm Credit Corporation itself and for the assistance of the farmers to introduce a different date than the spring date for the change. Whether a farmer obtains a loan at a high rate or at a low rate at the present time depends on how early spring is in that particular year. That is a factor beyond the control of the farmers and certainly beyond that of the Farm Credit Corporation.

Dr. Kristjanson: Mr. Chairman, we happened to be discussing this point earlier today or yesterday and Mr. Lanoix has done some thinking in that regard and will be able to comment on this point.

Mr. P. A. Lanoix, Director General Finance, Administration and Personnel, Farm, credit Corporation: Mr. Chairman, this question of the date of the change in the interest rate has been under consideration and study on several occasions for many, many years by the FCC. At one point in time—I cannot go too far back in history, because I only get it from bits and pieces, which would not give you the correct picture—it was thought that perhaps a single annual change in the rate would be the most advantageous procedure for the farmer and, in some respects for the Farm Credit Corporation. I recall several discussions which were held with officials of Department of Finance, Treasury Board and other parties concerned in this. No definite conclusion was reached to establish that once a year would be a really acceptable date for the Farm Credit Corporation and the Minister of Finance. It would be nice, I might say, from the point of view of the Corporation to have the rate of interest set once a year. With a single rate of interest farmers would not be concerned about the date. Whether it should be April 1 or January 1 is academic at this point. Then we get back to the method by which the rate is set. As you probably know, at the moment the rate is changed twice a year, on April 1 and October 1, based on the average cost of government bonds during the previous six months. Let us assume that the Minister of Finance agrees to make this change once a year and it is based on the cost of funds to the government during the preceding six months, and during that period let us say that the rate of interest has been on an upward trend. When it is struck on January 1 it will be at one particular point, let us say high. Then we start our lending season and the rate of interest in the market begins to decrease rapidly. Having agreed to set the rate of interest on January 1 to be in effect for a whole year, you will appreciate the pressure, or dissatisfaction on the part of the farmers when in October of the particular year they will point out that a very high rate was in effect since the first of the year. That is one complication and I could probably go into several difficulties which we would encounter.

The Chairman: Would setting the rate on January 1 and July 1 be of any advantage for you?

Mr. Lanoix: It might amount to about the same thing as we have now, depending on how the rates of interest go.

The Chairman: The farmers who applied for a loan in the early part of the year would all have an equal chance with one another to have their loans processed at the rate under which they made the application. In my opinion, the April 1 date is a bad one, as the appraisals might be made in March or April, so there is a penalty on a farmer because of a late or an early spring.

Mr. Lanoix: As I remarked at the outset, from the point of view of the FCC, January 1 would probably be the better date, because this is when the counselling of the farmers begins and we would know what the rate of interest would be.

Senator Hays: I suppose if you really wanted to do a good job in this regard, you would have to find out when the government needed money. It could quite well be that the interest rates in January would be traditionally higher than in April or in October. I was present when the act was amended and that is why I think the Farm Credit Corporation should be expanded. However, aside from that it seems to me that there is quite a difference. Money may be cheaper in April than in October and January. I do not know about the July date, but it is pretty good as it is and I do not quarrel with that too much.

Senator Michaud: If other honourable senators have completed their questioning on the main topic of the agenda, the Farm Credit Corporation as a whole, I have some observations to make regarding the functioning of the Small Farm Development Program.

The Orders of the Day on the date of the establishment of our committee on April 26, 1972 provided that the Standing Senate Committee on Agriculture consider the matter of marginal, sub-marginal and abandoned farm land in Eastern Canada, noting particularly the situation in Kent County, New Brunswick. The first official meeting of the committee was held on May 22, 1972, our first witness on that day being the Honourable Eugene Whelan, the Minister of Agriculture. The entire sitting was spent assessing the farming conditions existing in Kent County. The minister's statement centred mainly on two specific aspects of the situation: first, the real potentialities for agriculture as they exist in the county; second, the real hopes offered by the Small Farm Development Program as applied to Kent County. It was with that encouraging message by the minister that two weeks later the whole committee set out to spend an entire week in Kent County visiting the various sections of the area and holdings several public hearings, during which hearings we heard the views of farm and community leaders and, more particularly, those of the farmers of the area. As I had the opportunity to indicate in my speech in the Senate on February 11 last, the members of the committee were made aware at that time of the feelings of deep frustration and alienation of the farmers of eastern New Brunswick and of Kent County particularly, and of their deep neglect by both the federal and the provincial government.

As I also stated in the Senate on February 11, 1976, the committee members were deeply impressed by the statement made by one farmer in particular, when in the conclusion of his remarks he said:

Gentlemen, what are you going to do? You have influence, you have political contacts, you are part of the decision-making process. But are you prepared to use all those resources to help us change the situation? For you, are those sittings not more or less an exercise to give the impression that you are concerned about our problems without committing yourself to anything but writing a report? We hope not. We call on your sense of justice and ask for your support.

Well, that statement in itself may imply many things. It surely implies an indictment against us. It is also a challenge, and it implies a commitment if we accept its full implication—as we did—the commitment of the Senate

Committee on Agriculture to try to do something real by way of improving the lot of those people who are in need of assistance.

It should be mentioned at this point that there are certain historical patterns which have to be recognized in the sence of Canadian agriculture. When we heard, for instance, that the government had introduced certain legislation to assist the wheat growers of Canada, all those concerned with agriculture acknowledged at once that this matter concerned farmers of Western Canada particularly. When we hear that the government has presented legislation affecting the dairy industry of Canada, everyone knows that this is a matter which is mainly in the interest of the central provinces. But when the government deals with matters of marginal and submarginals and abandoned farmlands in Canada, we in Eastern Canada like to think at that time that the government is thinking about us in Eastern Canada. We take somewhat of a "hands off" attitude at that time, as if to indicate, "Those Small farms, they belong to us". Therefore, when the Honourable H. A. Olson, Minister of Agriculture, in December, 1971, in introducing legislation on the Small Farm Development Program, stated:

Unless we develop new concrete programs, many Canadian operators and, in fact, the whole rural community will be threatened . . .

no one involved in agriculture at that time suspected that Mr. Olson meant that it was the rural community of Western Canada that was being threatened, but, rather, that of Eastern Canada.

When the Prime Minister, the Right Honourable Pierre Elliott Trudeau, speaking on the same matter before the Coopérative fédérée de Québec on February 2, 1972, said:

I would add that the program now under consideration...

small farms

... is our last chance. It must succeed, otherwise everything (the rural society) will collapse.

no one suspected that the Prime Minister at that time meant that it was the rural society of Western Canada which was in jeopardy, but rather the rural society of Eastern Canada.

Yet what is the record of performance of the Small Farm Development Program, in that regard, since its inception some three years ago? On July 16, 1975, I asked the following question in the Senate:

What is the number of applications for loans under the Small Farm Development Program approved for each province to June 30, 1975?

The answer to my question was in the form of a table, as follows:

PERIOD SEPTEMBER 21, 1972, TO JUNE 30, 1975

	Grant	Vendor Credit	Purchas- er
*British Columbia Alberta **Saskatchewan **Manitoba Ontario **Quebec New Brunswick Nova Scotia Prince Edward Islan	d	15 1,752 898 534 215 893 112 24 107	9 230 214 87 20 21 9 5

Further inquiry into the matter revealed that out of a total of 117 applications registered in the province of New Brunswick, only 12 had been registered at the Moncton office. When one considers that the Moncton office serves both Kent County and the whole eastern New Brunswick area, it becomes quite obvious that the situation which these figures reveal is very disturbing indeed.

I asked further questions in this respect in the Senate on April 11 last, the replies to which are printed in the Debates of the Senate of May 4, 1976. Again, the replies are not any more reassuring. The first of my questions was as follows:

1. How many farm management consultants under the Small Farm Development Program are actually assigned to each province of Canada?

And the reply was as follows:

In the provinces of Saskatchewan, Ontario, Quebec and Nova Scotia the Federal/Provincial Small Farm Development Agreements preclude the use of federally seconded staff.

So that leaves five provinces which, under the agreement, have federally assisted farm consultants, those provinces being: British Columbia, with five: Alberta, with four; Manitoba, with eight; Prince Edward Island, with six; and New Brunswick, with zero.

The second question on that date was as follows:

- 2. How many farmers does each consultant serve in each of the following provinces:
- (a) New Brunswick.
- (b) Nova Scotia, and
- (c) Prince Edward Island?

And the reply was:

Of the three Maritime provinces mentioned in part 2 of the question, we currently have Farm Management Consultants in only one, Prince Edward Island. During the fiscal year 1975-76, the six Farm Management Consultants in Prince Edward Island reported working with 573 clients. Each consultant in Prince Edward Island has worked with an average of approximately 96 clients this year.

A study conducted by the Small Farm Development Program indicated that, based on 1973 data, the potential clientele of the program approached 2,600 in New Brunswick, 2,400 in Nova Scotia and 2,000 in Prince Edward Island.

Gentlemen, this is the situation with respect to the Small Farm Development Program as it applies to New Brunswick, specifically to Kent County, which is my chief concern, as you will understand, coming from that area myself.

It is not too encouraging, and bearing in mind Mr. Day's reply to an earlier question today that there have been only seven Farm Credit loans in Kent County during the last fiscal year, I think we must admit that we have not got to the heart of the problem at all.

I have already indicated this morning that our first witness in 1972 was the Minister of Agriculture, the Hon-

ourable Mr. Whelan. When we questioned the minister at that time on the operations of the Small Farm Development Program, he replied that we should not be hasty, that we should wait a little for more and better results, that the program as it was then had not yet had time to get off the ground. Well, after three full years it seems that the program has not yet got off the ground in Kent County; we are at the same stage that we were at the start.

I believe that as long as the corporation uses the same guidelines, as signified by Mr. Day a few minutes ago, in respect to the small farms in Eastern Canada, as used in assessing large viable organizations in Western Canada, the situation will remain as it is; there will be no significant improvement in Eastern Canada and in Kent County's farm picture. You are just not dealing with similar situations, and by using the same guidelines in both respects, you just will not attain the required results. Since those guidelines in all these matters are set at the central office in Ottaea, and not in the regional offices, I do not believe, therefore, that it is the fault of the local offices if the results are not more impressive than they are, at times. The people in the regional offices are tied to the guidelines as set out by the central office. Those are my comments at this time on that matter.

The Chairman: Thank you, Senator Michaud. As I am sure you appreciate, gentlemen, Senator Michaud's work on this subject has been untiring; he has been persistent, and I would say mainly because of his efforts some years ago this agricultural committee was set up. We are all in sumpathy with what he is saying and support the general trend of his remarks. We know that the corporation itself is not in full control of its policies; the policies are set by the government. However, I am sure I speak for the committee in saying that we support Senator Michaud in his general proposition. We would welcome your comments, and anything that in the future you might do to help the development of small farms and agriculture in Kent County and New Brunswick.

Dr. Kristjanson: Mr. Chairman and Senator Michaud, I think I am almost as familiar with the record of the committee as you are now, partly because, as Senator Molgat knows, it is the lower income people that I am concerned about.

I should say for the record that the Farm Credit Corporation is in no way responsible for the policies of the Small Farm Development Program. We were asked to act as agents of the Department of Agriculture. That does not mean that we do not have feelings about it, but it is certainly not within our jurisdiction to establish policy for the Small Farm Development Program. On reading the record, I would say that the Small Farm Development Program could never have helped Kent County.

The Small Farm Development Program really was designed to assist people to sell their farms and to assist others in acquiring them to make larger units. The assumption underlying that is that there is a basic viability to agriculture in an area, and that what you do is combine resources so that you make some units within an area that are not viable at the moment, maybe because people are getting older and so on, combine them with other units and you have something going for you. Our experience in Manitoba, in the Interlake area and other places, has taught us that credit is not the answer but people are.

In one of your studies in Kent County we learned, for example, that 90 per cent of the people in Kent County

were not interested in selling; they were interested in staying. So, right off the bat, the viability of the Small Farm Development Program become questionable. It was not that people wanted to sell, they wanted to stay.

The second part of the problem is, as has been indicated earlier, that so many of the programs that affect land, land use, land tenure and farm size are quite within the provincial jurisdiction. Provinces are not really very happy about giving up any of their jurisdiction in that area.

I suspect that over the past three or four years there have been many discussions between the New Brunswick Department of Agriculture and the federal people about their respective roles, and I would expect that the outcome of those discussions was not all that clear. My suspicion, in that regard, arises from your statement this morning, and your statements on previous occasions, that farmers or the people of Kent County do not really feel that either the provincial or federal government really care very much. I think you have said that several times. I can only deduce from that, that there has been an inability of the provincial government and the federal government to come to grips with the real problems within existing policies.

I would refer back to the one experience that I was intimately involved in. The first thing that we did was to meet with people and listen to them. We went into the Interlake area with the ARDA program and we did not go in there with a program that was tailormade for them. We had to work with them. This took a long time. It took a fair bit of time in organizing people to the point where they actually believed they were being listened to.

Another part of that program was that while we were doing that work, a great deal of money was spent on roads, on rationalizing land use and so on. At about the end of two years' time, we had in the Interlake Region a program that was a people program. Some people wanted to leave, others wanted to stay. Some people were willing to sell their land for wildlife management and so on, but it was a total community effort. I do not find that in my reading of the Kent County story. I do not find it really in the Atlantic story.

I was not here for the DREE presentation this morning but, Senator Michaud, in agonizing over what I have been reading, I would say that the problem is not a credit problem, it is not a financing problem; it is a social problem. It is not primarily a financing problem; it is a problem of getting sufficient commitment by the provincial or federal government to do something about it. If we are going to take an area like that and make money available on the basis that it is going to be repaid, nothing will ever happen. The reason for that is that we begin from a point in time and a level of economic development which is incapable of generating immediate payout. It is simply not there.

In my own opinion, it requires a commitment of funds plus counselling and working with local people that says: "Sure, it is going to cost us X million dollars to arrive at a certain point of development within ten years, but it takes a commitment of resources from the national and provincial governments to reach it."

Now, it is beyond me and my responsibilities to make recommendations in this regard, but I am really responding to my frustration in reading the record of the committee in which you have endless amounts of evidence showing so much class 2 land and so much class 3 land; that

there were so many cows in 1901 and so many in 1947. I think that is really beside the point. The point is, or rather the question is whether the public wishes Kent County or the Atlantic region to become viable and then to remain viable

I do not know whether I have angered you or upset you or disturbed you, senator, but, because I had really become quite involved in the record, I had to give my reaction to this. There is nothing I can do as chairman of the Farm Credit Corporation to assist in your problem, except to apply in Kent County, with the utmost sensitivity, the programs that we have. There is just nothing that the Farm Credit Corporation can do beyond what the act allows us to do.

I suggest to you, sir, that there is really nothing in the Farm Credit Act that comes essentially to bear on Kent County, or, rather, that is really very helpful to Kent County in relation to the totality of the problem you have defined.

Senator Michaud: When the minister, the Hon. Eugene Whelan, was before our committee on the date I have indicated, May 22, 1973, he is reported at one point, when he was speaking of the Small Farm Development Program, as saying:

In addition, many other activities will be required to stimulate and assist farmers of this area. These will include the provision and acceptance of credit, a strong extension service, adequate processing facilities, and a satisfactory marketing structure.

Well, I thought that was a reasonable objective. Now I understand from your remarks, sir, and your explanations that your institution, in respect of its terms of reference, cannot meet that commitment made by the Minister of Agriculture to us on that date.

Dr. Kristjanson: Senator Michaud, that is entirely correct in so far as the Farm Credit Corporation is concerned.

Senator Michaud: I had thought we were discussing the Small Farm Development Program at that time when the minister said that.

Dr. Kristjanson: Yes, senator, and, as I said earlier, we are agents of the Small Farm Development Program in simply carrying out the lending activities and the transfer of property envisaged by it.

Senator Michaud: The minister had also observed on that day, and I quote:

It is obvious that many adjustments would have to be made if agriculture were to become a viable enterprise in Kent County as a whole. Sufficient technological information is available. Our Small Farm Development Program will provide some leadership to those who do want to direct their efforts to agriculture.

I find some difficulty, sir, in reconciling your comments with these statements made by the minister at that time.

Dr. Kristjanson: Senator Michaud, I would not suggest that the Small Farm Development Program had made no impact on Kent County. I was agreeing with you that it had made very little difference, by your own figures. I am suggesting, however, that the actions that are required are those that we of Farm Credit Corporation are not empowered to carry out.

Senator Michaud: In listening to your last remarks, Dr. Kristjanson, I am reminded of a statement that I read in the paper some two weeks ago with regard to Air Canada, who wished to inaugurate a certain new service but were unable to do so, because of their own regulations. They then announced they would go before the government to ask for he enactment of those amendments required to enable them, as a corporation, to do the things they wished to do. Would it be too bold, or naive, to think that the Farm Credit Corporation could have done the same as Air Canada has done—provided you were interested in the matter—and go to the government and suggest that amendments be made to the Small Farm Development Program in order to meet the conditions which we are faced with in Kent County, particularly?

Dr. Kristjanson: Senator, there are perhaps three answers to that. First, we do advise the minister, so that is one area where we could be of some help. Second, I still insist that the credit aspect of this is not the most important part of the problem. Third, it would take some time, and I am not sure that you wish to take the time, to obtain the amendments to the act that would allow us to do what you have in mind. What we would look forward to, as the Farm Credit Corporation, however, would be recommendations from this committee, based on all the hearings you have had, as to what might be appropriate.

Senator Michaud: From the purport of the replies I have read for the record here today, to the questions I asked on different occasions in the Senate, I do not think there is much evidence that the situation would be that much better, or that the record would be that much better, in any event. Those replies only indicate that at no time has the matter of small farms in New Brunswick, and in Kent County particularly, been one of too great an interest on the part of the Corporation. I am speaking, at this moment, mind you, only in reference to the Small Farm Development Program; I am not discussing the operations of the Farm Credit Corporation as a whole, which is another matter of course.

I am concerned about this particular point because, quite honestly, we had great expectations from the legislation when it was introduced. I went to the trouble of appearing in public, on radio and television stations in Moncton, to sell on your behalf, this bill of goods on the basis of those great expectations. Now, three years later, I am faced with a completely void situation, in which nothing has been done, to all intents and purposes, in Kent Country. I fell I now have to go back to these people and apologize to them for almost leading them astray; meanwhile I was simply-acting on the strength of those testimonials given by the minister of agriculture of Canada, and the Prime Minister in that regard, such as I indicated to you a while ago. In so doing, I sincerely thought I was in line with expressed government policy. This is very embarrassing to me, when I hear this morning that the situation is altogether different, and that you do not have the power to do anything as applied to the small farm situatin in Kent county. That is the situation I am in today. I must tell you that your reply is a very disappointing one to me personally. I am deeply disappointed.

Dr. Kristjanson: Senator, I cannot help it if it is disappointing. The facts are, and I hope they will be helpful, that the Small Farm Development Program has been applied without prejudice across the country. The fact that the Small Farm Development Program, as imple-

mented, was less than satisfactory in New Brunswick, let us say . . .

Senator Michaud: Than in the West with the big farms.

Dr. Kristjanson: ... is not a problem of Farm Credit Corporation. That is my point. It is a Department of Agriculture program, and the only person that can really answer the questions you are now asking, I think, is Mr. Whelan.

Senator Michaud: Very good sir. I have just one more quesion.

In reply to an inquiry of mine on May 4, 1976, as reported in Senate *Debates* of that date with respect to farm management consultants, in New Brunswick, it is stated the following:

We are now actively recruiting for two farm management consultants to work in New Brunswick.

Could I ask what areas those consultants are being hired

Dr. Kristjanson: I do not have this record in front of me, and I was not involved in that particular answer. Perhaps Mr. Day could give you some information on that.

Mr. Day: The hiring is arranged between Canada and New Brunswick under the Canada-New Brunswick agreement and staff when hired would be seconded to New Brunswick. It is my understanding that through that agreement they would have two at one time. I think there is one on staff at the present time but I cannot tell you where he or she is located. Whoever it is would be under the jurisdiction of the province and the province would decide the location.

Senator Michaud: Are these consultants paid from federal funds or provincial funds?

Mr. Day: They are paid out of the program of the Canada Department of Agriculture and seconded to the province.

Senator Michaud: That is all I have to say. Thank you Gentlemen.

The Chairman: i have written down something that I think you said here, and you can correct me if I am wrong. You said that the problem of Kent County was really not a question of credit but a social problem. I think at some other point you said that if there is something that has to be done, it would have to be on the basis of no payout immediately—perhaps something ten years away, but no payout immediately. Could you just give us, in your own words, what you would be trying to do if you were able to do it and if you were not where you are today? Let us say you were facing this committee or you were advising the government in general terms as to what might be done at the present time to bring about the type of situation that Senator Michaud would like to see brought about, would it involve a land bank or development of resources, or what?

Dr. Kristjanson: Well, Mr. Chairman, I think my answer is going to be less than satisfactory to the senator. My impression is that this area of the country is really destined to be a part-time farming area rather than a full-time farming area. You know the history of the area involved logging. fishing and agriculture. You know that the logging industry had its ups and down and that the fishing industry had had its ups and downs. So now you have this poor fellow on the farm trying to balance his agriculture with two things that are beyond his control.

My second observation would be that until the province comes to grips with a basic land use aspect of the problem, nothing very significant is going to happen. Provinces have a great deal of difficulty with this. You remember the British Columbia experience in freezing land for agriculture and the whole debate now going on in Ontario. But there certainly is a basic question as to what is appropriate in terms of land use, and in this connection let us just discuss Kent County. The third aspect of it has to do with some of the comments such as: "Here we are again; another inquiry and nothing ever happens". That must be overcome. In the fourth place, I would say that more must be done between the provinces and the federal government in simply sitting down with people in Kent County. or anywhere else in the Atlantic provinces, in an attempt to reach a tripartite agreement, not federal-provincial, but one which would commit the local people also. I happen to believe that we have sufficient basic data now that such a process could go forward. We do not have to survey the soils any more; we know how many trees we have and so on. Unsatisfactory as it may seem to you, sir, it seems to me that we must begin with a process of asking those people honestly what they want and are prepared to do, then informing them of what we are prepared to do. However, I cannot find in the record where that process was observed. I know there were some meetings, but I cannot recall a development planning process that was carried out. It was assumed that the Small Farms Development Program would help, for example. It certainly helped in the West.

Senator Molgat: Mr. Chairman, in my opinion Dr. Kristjanson's comments are very much to the point in this case. Senator Michaud, I am not attempting to be an apologist for Dr. Kristjanson, but he is from an area of the country which experiences the same problems as Kent County, and I think he is personally understanding of the difficulties.

One particular comment you made, Dr. Kristjanson, was with regard to our policies being geared to full-time farming. Is this not a large area into which we should be looking, the fact that many parts of our country are not suitable for full-time farming, yet the policies and the Department of Agriculture, it seems to me by and large are geared to full-time farming? This is not realistic in many areas and obviously not in Kent County. Then we need a different policy to fit those particular problems. You say it is not the responsibility of the Farm Credit Corporation. Not wholly, but surely part of your policies ought to be geared to that kind of problem? It seems to me that, as Senator Michaud said, from your end of the operation there should be suggestions and recommendations to the minister or the government to fit programs to the problems of the various areas. Those problems will vary in different parts of the country, admittedly. I therefore hope that you and your administration will be giving serious thought to these other types of problems in which, in my opinion, you have a responsibility.

Dr. Kristjanson: Mr. Chairman, I appreciate that very much. I know that it must be very frustrating to have witnesses before you one after another who can only say that certain matters are not within their jurisdiction, or not totally within their jurisdiction and so on. I do not believe that Canada has any co-ordinated program for attacking poverty, whether in Kent County or anywhere else. We are well geared at the multi-national level, at the large corporation level and at the full-time farmer level, at

which we have all kinds of programs. The Farm Credit Act specifically requires that the person be principally occupied in farming, so this obviously is the policy.

Senator Molgat: Let us change it.

Dr. Kristjanson: One reason for my appreciation with respect to your comments, Senator Molgat, is that it is precisely my concern with Kent County and the Farm Credit Corporation by statute is unable to do what is required. After I receive the record of this hearing I will bring Senator Molgat's comments to the attention of the minister and start something in the direction of reconsideration of the Farm Credit Act which would allow us to do more in this area. But I am a bird with one wing.

Senator Molgat: If the act is not doing what it needs to do, let us change it.

Senator McDonald: Having had some experience in a provincial Department of Agriculture, as the Minister of Agriculture, I doubt the wisdom of trying to cure social problems with agricultural programs. I do not believe it is the Department of Agriculture's function, either provincially or federally, to be a social agency. Surely their responsibility, and the responsibility of all departments, is to deal with the subject matter of agriculture.

I believe that in Kent County, as in some rural areas of Manitoba, Saskatchewan, and of every province of Canada, we have a social problem, and if we design agriculture policies to solve them, we upset somewhat the needs of the viable agricultural community, and create more problems that we solve.

So far as I am concerned, it is not agricultural policies that are needed. Unfortunately, I did not have the opportunity to visit Kent County, but from what I have learned from Senator Michaud and others it seems to me that agriculture policies by themselves will not even start to solve their problems.

They are problems that have nothing to do with agriculture. I am afraid that if we design agricultural policies, or amend agricultural programs, to try to solve these problems, we will create more problems than we now have.

These are social problems. As Dr. Kristjanson has said, we in this country have never designed a program that has been meaningful and successful in dealing with poverty, whether we find it in rural Manitoba, Saskatchewan or New Brunswick. If we could find a solution to your problems in New Brunswick, Senator Michaud, we have areas in Saskatchewan where we could apply them. You referred to Western agriculture. We have some very successful farmers in Western Canada, but we have also some very unsuccessful farmers, whose problems we cannot solve, in my view, through agricultural policies.

I do not think there is anyone around here who has worked harder on problems that are dear to his heart than has Senator Michaud. I sometimes wonder how he has the guts to continue. Those problems are not confined to New Brunswick or to one given area of New Brunswick. They are scattered across this nation, and programs are needed from some department other than agriculture if we are going to solve them.

The Chairman: We have had statements dealing with both sides of the question. I personally deduce from those statements that it is a social problem, that something has to be done, that agriculture alone cannot solve it. I am inclined to the view that agriculture can play a role in helping to sovle the poverty question, and I think we should come up with some recommendations that will assist the minister, Dr. Kristjanson and others in solving the Kent County problem. We have a big job on our hands. As Senator McDonald said, the problem of Kent County applies not only to Kent County but to areas all over the country.

We have had a very good meeting. We have had to hear two groups this morning. We were informed that Dr. Kristjanson would be away for some time, and this was our opportunity to hear him.

On behalf of the committee, I wish to thank Dr. Kristjanson and his official for their assistance. We have had a very useful meeting. Let's hope that together we can do something to assist agriculture in this country, and specifically in Kent County.

The committee adjourned.





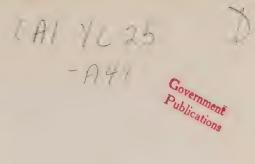












FIRST SESSION—THIRTIETH PARLIAMENT
1974-76

THE SENATE OF CANADA

PROCEEDINGS OF THE
STANDING SENATE COMMITTEE ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

Issue No. 34

TUESDAY, JUNE 29, 1976

Progress Report on the Examination of Crop Insurance Programs in Canada.

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue
Blois
Côté
*Flynn
Fournier (RestigoucheGloucester)
Greene
Haig
Hays
Inman
Lafond
MacDonald

McDonald
McElman
McGrand
McNamara
Michaud
Molgat
Norrie
*Perrault
Sparrow
Williams
Yuzyk—(22).

(Quorum 5)

^{*}Ex officio members

Order of Reference

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate.

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Tuesday, June 29, 1976. (34)

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day, at 10:00 a.m., to receive a Progress Report on its Examination of Crop Insurance Programs in Canada.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), McDonald, McGrand, McNamara, Michaud, Norrie and Yuzyk. (8)

Mr. Andrews outlined several documents containing information as to the progress that has taken place since the Interim Report was tabled in the Senate on July 17, 1975, and answered questions put to him by Members of the Committee.

At 11:05 a.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Tuesday, June 29, 1976

The Standing Senate Committee on Agriculture met this day at 10 a.m. to receive a progress report on its examination of crop insurance programs in Canada.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, this meeting was called, as you know, to consider the progress we are making in our study of crop insurance. You will recall that Mr. Chambers was with us last year and assisted the committee in drafting its interim report, which we tabled in the Senate. After his departure the committee spent some time procuring a research person to be attached to us for the type of work the committee does. After a long and diligent search we were fortunate enough to obtain Mr. Rick Andrews, from Lethbridge, Alberta, to work for us.

Mr. Andrews has a master's degree in agriculture and agricultural economics and an extensive background of experience in Canada and with United Nations organizations. Therefore we are fortunate in having him carry on this work for us.

I think it is fair to say that our interim report on crop insurance was well received, particularly by most of the governments to which it was directed. It is also fair to say that much has been accomplished as a result of that report. One of the purposes of this meeting is to see what has been accomplished and to look to the future and determine the further consideration we might give to this general crop insurance field. In proceeding this morning, the best thing I could do is to ask Mr. Andrews to outline the documents we have before us, which are a report of the work he has been doing and the suggestions he has to make with respect to crop insurance generally. Also contained in the documents is information as to the progress that has taken place since our report was tabled in the Senate.

Without further ado I will ask Mr. Andrews to outline for us the documents he has brought to this meeting.

Mr. R. I. Andrews, Research Assistant to the Committee: Thank you very much, Mr Chairman.

Honourable senators, you have before you, I believe, several documents which, as the chairman has stated, will hopefully bring you up to date on just exactly what has happened with regard to crop insurance in Canada since the interim report was published. In an interview with Mr. Gorrell—who, as you know, has appeared before this committee and is director of the Crop Insurance Program—it was evident that there had been a significant amount of action taken as a result of the interim report. Perhaps the most significant step was in Western Canada, when the Western provinces got together and stabilized their price options for major crops. A summary of this will be found on the first page of this document, which is a report of a meeting with Mr. Gorrell. There was agreement among the

Prairie provinces that there should be some conformity in their programs; that is, that the programs should be uniform throughout the Prairie provinces.

Soon after the price options were established the federal government introduced its restraint program, which affected the crop insurance program in that the budget was cut by \$10.1 million. As a result of this, there were various actions taken across Canada in order to comply with this restraint. The federal director toured the provinces, met with them and discussed what could be done.

In the Maritimes, it was his opinion that because of the generally depressed state of the crop insurance program, it did not seem feasible to exercise restraint in this area.

In Quebec, because the nature of its crop insurance program had recently changed to a more self-sufficient and business-like program, it had caused some decrease in the number of policies written, and any further restraint by the federal government was not considered feasible at that time.

Ontario reduced some of its ceiling prices on several crops and also reduced coverage levels on some crops. This resulted in a cutback in their total expenditure.

Manitoba, which has a very dynamic and fast growing program, was unwilling to make too many changes, but it was considering lowering some of its price options.

Saskatchewan complied with the restraint program and was considering a reduction of some of its coverage levels. They are also considering reducing some of their price options.

Alberta was unwilling to reduce its price options unless some market prices of grain dropped considerably, although it was considering putting a ceiling on coverage levels of somewhere between \$50 and \$60.

British Columbia has reduced its price levels on some of its tree fruits in order to cut costs.

So members of the committee will see that all across Canada the restraint program did have some effect on the crop insurance programs, and it has perhaps diluted some of the progress in uniformity which was made as a result of the interim report. Several of those provinces are now going to adjust their price options which they had set prior to the restraint program.

With regard to re-insurance, during the Senate committee hearings several provinces had suggested that the reinsurance provisions of the act were not satisfactory. As a result of discussions which they had here with senators, and with the director of the crop insurance program, they have since realized that the present arrangement is satisfactory and is not an excessive burden on the provinces. So in terms of re-insurance they seem to be fairly well satisfied.

With regard to extending the spot loss coverage, there was considerable discussion in the committee meetings by Alberta and Nova Scotia to extend spot loss coverage. Those provinces have now relinquished that demand and are satisfied with the present state of the spot loss coverage program.

With regard to livestock insurance, this was another suggestion that was recommended in the interim report. There has been a small amount of activity in this area. Nova Scotia, I discovered in the last few days, has begun to develop a program for livestock insurance.

Alberta is beginning an experimental program in livestock insurance. Both of those programs are related to communicable diseases.

The next issue is that of penalty. There was considerable discussion in the Senate committee meeings on this. It appears that as a result of the meetings held on the Prairies, the Prairie provinces, which had wide variations in the types of penalties which they assessed, have now brought those into line, and they are in line with what were the recommendations of this committee. That, I think, is a significant result of the interim report.

That is a summary of Mr. Gorrell's views of what is happening in crop insurance in Canada.

The next document is a summary of crop insurance programs in Canada. Are there any questions on the first document?

The Chairman: Are there any questions on what Mr. Andrews has outlined so far? From what he has said, there has been some real progress in making the coverage more uniform; there has been a reduction in the very severe penalty rates, particularly in Saskatchewan, and so on.

Senator McGrand: How have the federal government and, in particular, the Department of Agriculture reacted to this study on crop insurance?

Mr. Andrews: Mr. Gorrell, the director of the program, was himself, I think, quite pleased with the interest in crop insurance shown by the Senate committee. I believe some of the concerns that have been expressed by the committee were also concerns which he and his department had. I believe that the interim report of the committee, and the fact that the provinces came before the committee and were able to discuss some of these problems, facilitated his work. In fact, soon after the tabling of the interim report he did contact all of the provinces and was involved in some of the meetings they held on coordinating their price options and reducing their penalties. So, the interim report has certainly facilitated his work.

The Chairman: My feeling is that there are not too many reports brought in by the Senate that are acted upon so quickly and in such an extensive manner. As far as the farmers in Saskatchewan are concerned, they have coverage on wheat 75 per cent a bushel higher this year, and I am certain, in my own mind, that that increase resulted from this committee's study of crop insurance. Alberta, of course, can say its farmers are receiving 50 cents less, but it is more uniform and more realistic. Certainly, \$3 is more realistic today than \$3.50 was last year, and certainly more realistic than \$2.25.

The other document which Mr. Andrews prepared is a summary of the situation in each of the provinces. This information was obtained through telephone conversations with one or more of the top people in each of the provinces.

It is a further extension, in a more concrete way, of what Mr. Andrews has already reported. In a sense, it is a backup to what he has already said. It sets out some opinions as to the position of crop insurance in the various provinces. I will ask Mr. Andrews to briefly outline this part of his report.

Mr. Andrews: As the chairman has said, this document is a summary of what has happened to date, as of June, 1976. The provinces I contacted were those whose representatives had appeared before the committee.

Starting with the province of Alberta, Alberta has experienced a very large increase in participation during 1975, with a 35 per cent increase in policyholders, and early returns in 1976 show a further increase of 20 per cent, which is significant. Saskatchewan, which has one of the fastest growing programs in Canada, has brought its total number of contracted farmers to about 65 per cent of the eligible farmers, and the number of acres covered by crop insurance in Saskatchewan is 55 per cent. An interesting estimate made by the people in Saskatchewan is that their total risk carried for 1976 will be close to \$530 million, which is a substantial increase over previous years.

Saskatchewan joined with the other provinces in unifying price options, with the exception of barley. It was agreed that the barley option would be \$2 per bushel, and Saskatchewan later reduced that to \$1.80 a bushel. That is now the only element which is not uniform across the Prairie provinces. In discussion with some Saskatchewan farmers, however, it was discovered that there are still considerable differences in the way in which land is appraised in the various provinces, and also the rates at which coverage can be increased and the rate at which premiums can be discounted in the various provinces. This is one area on which there still seems to be some divergence.

Manitoba has experienced a 6 per cent growth up to June, 1976, which brings their provincial totals to approximately 75 per cent of the eligible farmers. They are covering approximately 50 per cent of the cultivated acreage. During the Senate committee hearings there was quite a bit of discussion about whether or not crop insurance should also provide some income insurance. Manitoba was quite strong in their stand that their rates and price options should be designed to cover the cash costs of production only; these cash costs of production should not include a return to management or interest on land, but strictly the costs of operation plus depreciation on buildings and machinery.

The Chairman: They would include depreciation as a cash cost, or they would include it in addition to a cash cost?

Mr. Andrews: In addition.

The Chairman: To me, that is going a bit further than some of them were prepared to go, because I do not think they were prepared to include depreciation on machinery, which can be a very big item.

Mr. Andrews: This is what they had said. I think everyone seems to have defined their cash costs of production differently all across Canada.

The Chairman: You do not have to replace all your machinery this year; you can forego it for two or three years, but you cannot do it indefinitely if you are going to get enough coverage to cover insurance. That is more than

out-of-pocket expenses in a current year. I agree with that; I think that is all right.

Mr. Andrews: We now move to Prince Edward Island. Prince Edward Island is probably experiencing the strongest growth of any of the provinces in the Maritimes. In 1976 they had a 20 per cent increase in sales, and they now have approximately 35 per cent of the eligible farmers involved. Because of their small size they have been experiencing some difficulties with some of the re-insurance provisions of the Crop Insurance Act, but overall they are pleased with the progress they have been making.

In New Brunswick the crop insurance program seems to be having fairly serious problems. In 1976 sales are down significantly from 1975. The potato program in particular does not seem to be working, and has declined to the point where there are fewer than six farmers in the program. They feel that the crop insurance program, which seems to be working very well on the Prairies, is just not providing the kind of coverage that is required in the maritime provinces.

Senator Michaud: Shall we discuss this now, Mr. Chairman?

The Chairman: Let us finish the maritime section, and then we can come back to this, if that is agreeable to the committee.

Mr. Andrews: New Brunswick feels that their program could be assisted by more federal support, and they are also trying to have their rates calculated on an individual basis, which they feel would be a step towards encouraging some of the larger scale producers. However, in general they feel that without some change the crop insurance in New Brunswick is just not going to become a successful program.

In Nova Scotia the Crop Insurance Commission also reported a fairly strong increase of 20 per cent in sales in 1976. The commission estimates that 50 per cent of the eligible farmers in Nova Scotia are covered by crop insurance. It is felt that the program in Nova Scotia is beginning to receive the confidence of farmers, and they seem to be moving along at a fairly good rate.

That is a brief summary, honourable senators. If there are any more questions I will try to answer them for you.

Senator Michaud: Mr. Chairman, looking at the whole picture of the maritime provinces I have some difficulty in finding reasons why New Brunswick would fare so poorly compared to Prince Edward Island and Nova Scotia. What seems to be the trouble there, as applied to New Brunswick particularly?

Mr. Andrews: Regarding crop insurance, New Brunswick is new. New Brunswick and Newfoundland joined in 1974. Nova Scotia and Prince Edward Island are two or three years older. As we discussed in committee, crop insurance programs do take some time to become established.

Senator Michaud: In this case the trend is going down.

Mr. Andrews: That is right. New Brunswick is the only province in which they are experiencing a decline in sales.

The Chairman: Why is that, Senator Michaud? You know.

Senator Michaud: Yes. Last summer I was there discussing the matter to some extent. Just take potatoes as an

example. The crop insurance program covers the potato crop by varieties of potatoes. Up along the Saint John River production is geared to the requirements of the processors there, and the producers see no necessity of growing more than one variety, the Netted Gem, which is being marketed through the McCain company, the local processor. The demand is for Netted Gem, and if a grower grows 200 acres of potatoes and his market is the McCain company, he will grow 200 acres of Netted Gem because that is what the market wants and demands. Well, right there he is handicapped when it comes to crop insurance.

To draw a comparison with our own potato production, on the other hand we see some benefit in having different varieties as against those growers in the western part of the province who see no benefit. The retail market in the eastern part of New Brunswick has no objection to different varieties of potatoes so long as they are suitable. Therefore, if we grow three or four varieties we have three or four more chances of getting insurance coverage than the other grower in the western part of New Brunswick who grows, say, 200 acres of the same variety.

The system does not allow for spot insurance, and that was one point which was stressed to me when I discussed the matter with the growers last year, especially as applied to the western part of the province where all the big growers are. They feel that unless spot insurance is recognized and accepted there is little chance that the system will be successful.

Senator McGrand: I know there is a Netted Gem potato up there but I was not able to buy a Netted Gem in Ottawa last winter from New Brunswick or Prince Edward Island. Every Netted Gem I got was from —

Senator Michaud: McCain's.

Senator McGrand: Yes. I cannot understand why that would interfere with crop insurance. A Netted Gem is no different from any other potato, as far as risks go, is it?

Senator Michaud: I do not know if you grasped the point I was trying to make.

Senator McGrand: That is what I am trying to get.

Senator Michaud: If I were to grow 200 acres of potatoes with four varieties, 50 acres each, I would have four chances of collecting crop insurance because the crop insurance operates on a variety basis. If I have a loss in any of the four, I am covered. If the Netted Gem grower in the western part of New Brunswick grows 200 acres of that kind alone, he then has only one chance of insurance coverage.

Senator McGrand: How is he protected from the loss? This is what I do not understand. You say there are four varieties and, therefore, four chances.

Senator Michaud: If we have a loss in any one of the four varieties, we can collect. If the Netted Gem grower is growing nothing but those, he has only one chance.

Senator McGrand: If you have an epidemic of potato rust, or some such blight, Netted Gem is no more resistant to that than Green Mountain?

Senator Michaud: No. If it is a total loss, it does not make any difference. If it is a partial loss, the chances of recovering, if you grow 200 acres of the same variety, are four times less than if you grow four different varieties. Have you got the point?

Senator McDonald: Do you have a different premium rate for each variety?

Senator Michaud: No.

The Chairman: They do a little bit on wheat, but Durum and spring wheat are the same.

Senator McDonald: I cannot understand your argument. If you have 100 acres of potatoes and four different varieties, or 100 acres of all one variety, what is the difference?

Senator Michaud: If the coverage is on the basis of variety, you have four more chances than if you grow one variety.

Senator McDonald: I must admit I do not know anything about potatoes.

Senator Michaud: Especially when it comes to spot loss.

The Chairman: It would be similar to four fields of wheat, and if you could insure each one separately and if you got a flood on one that did not affect the others, or a hailstorm or something else.

Senator McDonald: Crop insurance was never designed to protect the income; crop insurance was designed to protect the loss of the crop and the cost of growing it. If you had one field divided into four varieties, why would this one be a failure and this one be successful because of the different variety?

Senator Michaud: It is not on the variety. For instance, frost might hit one corner and not the other.

The Chairman: Rust might hit one variety and not hit the other.

Senator McDonald: When you say "frost", I begin to understand. If he had all one variety and frost took a chunk out over here, he would get nothing. However, if he had four varieties and frost took a chunk of this one quarter, he would collect, is that it?

Senator Michaud: That is right. That is why they were asking for spot insurance and asking for assistance from the federal department.

Senator McGrand: You say "New Brunswick feels..."
Are you referring to farmers, or are you referring to farm organizations, or are you referring to the opinion that comes out of the Department of Agriculture?

Mr. Andrews: Yes, I am referring to the opinions of Dr. Smith, with whom I talked on the phone.

Senator McGrand: Yes. You mentioned that. I wonder, though, what investigation he was carrying out to justify your saying, "New Brunswick feels..." It must have been among the farmers.

Mr. Andrews: I hope so. He made that comment, in talking of the New Brunswick program, that with regard to the New Brunswick crop insurance program, they "feel that they are having some severe difficulties."

Senator McGrand: And the same thing has happened to the New Brunswick strawberry growers. It says here, "The cereal grain program has declined. Both the strawberry and apple programs are down."

Mr. Andrews: That is right. I just received a letter this morning comparing the figures. The number of farmers

who were insured for apples has gone from 23 in 1975 to 17 in 1976. With regard to oats, in 1975 it was 66, in 1976 it is 47. For wheat it was 13 in 1975, and has gone down to 10 this year. With regard to potatoes it was seven in 1975, and is five this year. With regard to strawberries, the figure for 1975 was 82, and is now 76. You do not have those figures yet; they were just handed to me. This shows a decline right across the board.

Senator McGrand: Years ago New Brunswick used to export quite a few strawberries. In the section I lived in a good many strawberries went to Montreal. The Montreal train stopped at the station every night and boxes of berries were put on. Is New Brunswick exporting berries today? I have the impression that we do not grow enough to feed ourselves. Is that right?

Senator Michaud: I think you are correct on that: they are not exporting; they do not have the surplus to do it.

Senator McGrand: Yes. We are hardly feeding ourselves. And this goes back to our Kent County situation. There they are in one of the finest strawberry growing sections of New Brunswick, namely, the Memramcook Valley, around Sackville. They were growing them at one time. I do not know what happened, but they got out of it.

Senator Norrie: Probably the transport situation—no refrigerator cars.

Senator Michaud: Oh yes. That is a long time ago. That could be. I could see how that could happen.

Senator Norrie: When I was a little girl I worked there.

Senator McGrand: At that time there were two strawberry sections. One was around Sackville, and the other was at Grand Lake.

Senator Michaud: The report says that it was suggested that New Brunswick could receive a higher level of subsidies to help establish the program and then have the subsidies reduced on a sliding scale as the program developed in the province. I think it is pretty hard to disagree with that, if the program is going to be maintained at all. Unless they get outside assistance, which in this case is the federal government, it would seem that the whole thing is going to disappear.

The Chairman: We do not have the administrative costs of New Brunswick, I suppose? I suppose it is all in the report.

Mr. Andrews: I do not have that with me.

The Chairman: I missed the other meeting on Kent County and I suppose there would be a paragraph or two in that report suggesting that crop insurance is one of the instruments that might assist agriculture. If that is so, then it would stem from that that we should be doing something more here to encourage New Brunswick to provide crop insurance. New Brunswick is the one province in the Maritimes that seems to be lagging behind. The Maritimes generally are not doing too badly, with the exception of New Brunswick.

Senator Michaud: The number of big growers in Prince Edward Island who are asking for insurance coverage is increasing. But for some reason it never got off the ground in New Brunswick as it applied to the big growers.

Senator McDonald: What do they pay in Prince Edward Island?

Mr. Andrews: Fifty per cent.

The Chairman: I would think that this is something that Mr. Andrews might pursue further with Mr. Gorrell and the New Brunswick people, to see if we might have some further suggestions that might be of assistance in New Brunswick. With Senator Michaud, Senator McGrand and Senator Fournier (Restigouche-Gloucester) present, this committee is half from New Brunswick and half from the rest of Canada.

Senator Michaud: I would agree with your suggestion in that regard, Mr. Chairman.

Senator McDonald: The document you distributed a moment ago showing federal government payments to provinces for crop insurance since 1960 and setting out the number of farm operators, is this the 1975-76 figure?

Mr. Andrews: No, that is the 1971 census, the last agricultural census. That covers anyone on a farm who has sales of over \$50 a year. This is taken from Statistics Canada.

Senator Michaud: So anybody can be a farmer who has a garden.

Senator McDonald: It is interesting that Saskatchewan has lost 10,000 farms from 1964 to 1971.

The Chairman: It is going down quickly all the time.

Senator McDonald: And this involves more than just permit holders.

The Chairman: Are there any other questions or comments?

Well, honourable senators, I think this is a good report, but I think we should ask Mr. Andrews to go through the material he has here and, item by item, just set out the recommendations of the committee, and the apparent accomplishments to date. It is all in here, but to do it in a somewhat different form and perhaps with some suggestions as to what might be done in the future. In other words, a progress report up to date on what has happened and what has been accomplished since we made our first report to the Senate. That is what this is all about, and I think it could be done in a somewhat different form which does only that—reports our recommendations and outlines the accomplishments. Is that agreed?

Hon. Senators: Agreed.

The Committee adjourned.

















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FIRST SESSION—THIRTIETH PARLIAMENT 1974-76

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING SENATE COMMITTEE ON

AGRICULTURE LIBRARY

The Honourable HAZEN ARGUE, Chairman

Issue No. 35

THURSDAY, JULY 8, 1976

Complete Proceedings on Bill C-88, intituled:

"An Act to amend the Canadian Wheat Board Act (No. 2)"

REPORT OF THE COMMITTEE

(Witnesses—See Minutes of Proceedings)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman;

The Honourable Hervé J. Michaud, Deputy Chairman.

The Honourable Senators:

Argue McDonald Blois McElman Côté McGrand *Flynn McNamara Fournier (Restigouche- Michaud Gloucester) Molgat Greene Norrie Haig *Perrault Hays Sparrow Inman Williams Lafond Yuzyk—(22). Macdonald

*Ex officio members

(Quorum 5)

Order of Reference

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator McDonald, seconded by the Honourable Senator Smith (*Queens-Shelburne*), for the second reading of the Bill C-88, intituled: "An Act to amend the Canadian Wheat Board Act (No. 2)".

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator McDonald moved, seconded by the Honourable Senator Petten, that the Bill be referred to the Standing Senate Committee on Agriculture.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Thursday, July 8, 1976

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day, at 10.00 a.m., to examine and consider Bill C-88, intituled:

"An Act to amend the Canadian Wheat Board Act (No. 2)".

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Lafond, Macdonald, McDonald, McNamara, Michaud and Yuzyk. (8)

The following witnesses were heard in explanation of the said Bill:

Mr. Ralph E. Goodale, M.P., Parliamentary Secretary to the Honourable Otto Lang, Minister of Transport and Minister responsible for the Canadian Wheat Board.

From the Department of Industry, Trade and Commerce:

Mr. D. A. Gibson, Market Operations Division, Grain Marketing Office.

After discussion and upon Motion of the Honourable Senator McNamara, it was *Resolved* to report the said Bill without amendment.

At 11.05 a.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Report of the Committee

Thursday, July 8, 1976

The Standing Senate Committee on Agriculture, to which was referred Bill C-88, intituled: "An Act to amend the Canadian Wheat Board Act (No. 2)", has, in obedience to the order of reference of Tuesday, July 6, 1976, examined the said Bill and now reports the same without amendment.

Respectfully submitted.

Hazen Argue, Chairman.

The Standing Senate Committee on Agriculture

Evidence

Ottawa, Thursday, July 8, 1976.

The Standing Senate Committee on Agriculture, to which was referred Bill C-88, to amend the Canadian Wheat Board Act, met this day at 10 a.m. to give consideration to the bill.

Senator Hazen Argue (Chairman) in the Chair.

The Chairman: Honourable senators, we are pleased to welcome this morning as our chief witness Mr. Ralph Goodale, M.P., Parliamentary Secretary to the Honourable Otto Lang and a member of Parliament from Western Canada. He is an authority on grain marketing, the Canadian Wheat Board and many other matters. With Mr. Goodale is Mr. D. A. Gibson, of the Grains Group of the Grain Marketing Office, Department of Industry, Trade and Commerce.

Without any further ado, I will ask Mr. Goodale to explain the chief provisions of Bill C-88 and give us further information as he wishes at this time.

Mr. Ralph E. Goodale, M.P., Parliamentary Secretary to the Minister of Transport and Minister responsible for the Canadian Wheat Board: Mr. Chairman and honourable senators, it is once again a pleasure to have the opportunity to appear before your committee to discuss a matter affecting the western grains industry. I am pleased, Senator Argue, to have with me this morning Mr. Dennis Gibson of the Grain Marketing Office of the Department of Industry, Trade and Commerce. That particular position, naturally, associates him with the Grains Group, for which Mr. Lang is responsible.

This morning, in dealing with Bill C-88, by way of introduction I could simply point out that the legislation attempts to amend the Canadian Wheat Board Act primarily in two substantial respects, both of which amendments are proposed at this time by the government in direct response to not only our assessment of their desirability but, certainly, representations of producers in Western Canada.

The two major amendments in the legislation include, first of all, a provision to formalize the electoral procedure for the selection of the Canadian Wheat Board's producer advisory Committee. The second major amendment is to provide for a separate marketing pool for certain selected and accepted grains and, particularly in recent times, the most particular interest here is in connection with malting barley.

With regard to the advisory committee election, as honourable senators will know, the present legislation provides for an advisory committee of producers to be appointed by the Governor in Council. Last year Mr. Lang undertook an experiment, again with the support of producers, to provide for the first time for the election directly by producers of the advisory committee. That experi-

ment, I think it is fair to say, was very successful. There were 11 candidates to be selected; 67 people came forward to offer themselves for office. There were very vigorous and enthusiastic campaigns throughout the Prairies and, as a result, 11 individuals were elected to serve on the advisory committee. According to the legislation at the present time they could not be directly elected, so the government had to go through the fiction, if you will, of duly appointing those who had in fact been elected by producers.

Senator Yuzyk: May I interrupt, please? Were all who were elected permit holders?

Mr. Goodale: They were all permit holders in one way or another, but not all of them were Suffix A permit holders. I believe two would come under the category of Suffix B, of being interested parties, but nine of the successful ones were actual producers listed in Suffix A, and I believe two were interested parties listed in Suffix B of permit books. I cannot give you the reading on all 67.

Senctor Yuzyk: Were most of them wheat producers, or were they also producers of oats and barley?

Mr. Goodale: It is virtually impossible to tell that. They would all have their Canadian Wheat Board permit book, either as an active producer or an interested party, but their mix of crops would not be readily visible simply from the fact that they have a book. We would have to go through the accounts, which would be a pretty complicated measure.

However, basically the amendment proposed would formalize that election procedure so that hereafter it would not be an experiment from year to year but would be a formalized electoral procedure established by statute in the Wheat Board Act itself. The next election would take place in 1978, and then every four years following that. The legislation establishes the mechanism for that type of procedure on an ongoing basis.

The second major amendment in Bill C-88 deals with the question of a separate marketing pool for various selected and accepted grains. As I mentioned earlier, in particular this is relevant in connection with malting barley. The present situation basically is that according to the legislation the Wheat Board cannot make a distinction in terms of the payments it makes to producers on the basis of the end use of the grain. It simply must proceed on the basis of the various grades in relation to the base grade; and the end use of a particular grain is not relevant in terms of the payments which are made to producers.

That really has been a satisfactory way to proceed, except until the most recent times, when it has become apparent that certain susbtantial premiums were available in connection with malting barley that, according to

the Wheat Board's accounting structure, would not filter their way through the system back to producers unless the board kept a separate account based upon a different end use, namely malting for barley in this particular case.

The government, in these amendments, is proposing to provide that separate accounting mechanism by statute so that the board can make appropriate payments to producers, bearing in mind some barley will obtain a premium because of its end use, namely, going for malting purposes.

One interesting feature of this is that the board, in a preparatory way, has been keeping its accounts for the current crop year, 1975-76, on a separate basis so that when this legislation finally achieves its parliamentary approval, hopefully before the end of the current crop year, the legislation, in effect, could be retroactive to the beginning of this crop year, August 1, 1975.

Those are the essential amendments, Mr. Chairman. There are a couple of other sections in the bill that are entirely housekeeping. There is no substantive change involved in them. It is simply to clarify or correct some wording errors that were discovered in the statute. The major amendments are the ones that I mentioned, and Mr. Gibson and I will be prepared to answer questions.

The Chairman: Is there likely to be more than one grade of malting barley?

Mr. Goodale: The legislation provides specifically that the separate pooling has to involve at least two grades. But the difficulty in grading with malting barley is that really the situation changes from year to year, and the key point is, in fact, what barley is used and not so much what particular abstract or grade on paper it might achieve.

If barley is in a particular short situation in one year, or if the market is particularly buoyant, more barley that would otherwise be feed gets into the malting categories simply because of the supply and demand process. So it is really that process and the end use that is relevant rather than the grade that may appear on paper.

The Chairman: When a farmer takes his grain to the elevator, and it is a malting grain, will he get a malting grade, whether or not that particular bit of barley happens to go to a maltster?

Mr. D. A. Gibson, Market Operations Division, Grain Marketing Office, Department of Industry, Trade and Commerce: No. It has to be selected and accepted by a maltster. When it is unloaded at the malt house, it has to be accepted by the maltster to enter the separate pool. Any grade—it would not matter if it were No. 1 feed or No. 2 feed—if it were selected and accepted, it would go into the malting pool.

The Chairman: Payments out of the malting barley pool would be the same per bushel, for all the bushels that are in there?

Mr. Gibson: That is right.

Senator McNamara: Mr. Chairman, my understanding is that the operation of a selected barley for malting will not affect the grade. If the farmer delivers it into a country elevator as straight barley, it will not be selected for malting unless the company does it. If he ships a car out, that car will be graded at the inspection point and will be given a grade under the Canada Grain Act, or whatever they call it now, whether it is 6r or whether it is No. 1 feed.

The initial price will be on the basis of that grade. When they close that pool, there will be a different price for one feed barley selected for malting, or for 6r barley. It will be by the grade determined on inspection. I think that is right.

Mr. Gibson: Yes, it is. Certainly, the initial payment will differ and there will be some difference in the final payments for the various grades.

Senator McNamara: For the record, I have the card for July 2 and they are quoting on this barley for malting, 1cw6r 302, 1cw2r 322, 2cw6r 300, 2cw2r 320, 1 Feed 290. So, the board does quote special prices for the different grades that are placed by the Grain Commission on the car.

Mr. Goodale: That is a product of the preparation the board has already done in anticipation of the legislation.

Senator Yuzyk: Mr. Chairman, I do not quite understand this business of malting barley at all. I gather from what has been said that there is no such thing as malting barley. Rather, it is what the maltsters choose for their purposes from the various grades available. They could use any grade from feed barley right down to probably No. 5 grade. Have they ever used Grade 5 for malting barley?

Senator McNamara: Grade 2 feed is the lowest they have gone for malting barley.

Senator Yuzyk: But they have used Grade 2 feed.

Senator McNamara: In some cases, Senator Yuzyk, a car could contain a high percentage of wheat, too heavy a percentage of wheat, and it would be a Grade 2 feed, but the barley percentage of that car is perfectly good barley. Then, of course, the maltster has to go to the expense of cleaning it and separating it. In any event, they have selected Grade 2 feed barley for malting purposes.

Senator Yuzyk: As I understand it, it is not the Canadian Wheat Board that makes the decision regarding what will be malting barley. There may be a good grade of barley capable of being used for malting purposes but which would not be accepted by the maltsters. In that case, the Wheat Board does not make the decision; it depends how much so-called malting barley is required by the maltsters in any given year?

Mr. Goodale: That is correct.

Senator Yuzyk: When they do purchase this barley, it is purchased from the Wheat Board. Is that right?

Mr. Goodale: That is correct.

Senctor Yuzyk: In purchasing it from the Wheat Board do the maltsters go to the Wheat Board in general for a certain number of bushels, or do they go to the various districts across the country, purchasing 100,000 bushels at one location, 100,000 bushels at another location of one type of barley, and another type of barley at another location? Is that the way they choose the barley for malting purposes?

Mr. Goodale: I will ask Mr. Gibson to go through the technical steps that the producer, the board and the maltster would follow in order to get together for a particular transaction. By way of introducing that answer, would simply say that it is initially the decision, primarily of the producer who judges that his crop is a good crop and should qualify for malting purposes, or he might

make the judgment that although it is not as good as some other years, because the market is a little short, it may make it for malting purposes.

The initiative, in the first instance, is that of the producer. I will now ask Mr. Gibson to put the various steps on the record.

Senator Yuzyk: I would appreciate that very much. Following that, would you then answer the following question: If our producers become very efficient...

Mr. Goodale: They are very efficient.

Senctor Yuzyk: —and they produce top grade barley, and there is more barley produced in that top grade than is required by the maltsters, what happens to those who do not have the good fortune of being chosen to receive that premium?

Mr. Gibson: Mr. Chairman, I will attempt to explain the procedure. I would invite Senator McNamara to correct me in the event I make any errors. I should say at the outset that several times throughout the crop year the maltsters will purchase large quantities of barley from the Canadian Wheat Board. They settle on a price. In that way, the board averages the selling price to the maltsters over the year.

As Mr. Goodale explained, the producer who wishes his parley purchased for malting purposes would submit samoles to his elevator company. The elevator company accumulates samples from various producers and then submits all samples to the maltster who, in turn, chooses he ones he wishes. Often, the producer would then receive a hold notice; that is, a notice that his barley is acceptable for malting purposes, and the maltster may call for delivery some time in the future. The producer hen simply holds the barley until delivery is called for. When it is delivered, the maltster may call for delivery and he car lot may arrive at the malt house and be rejected at hat point by the maltster as unsuitable for malting. This appens occasionally, and in that case it would have to be applied to the regular quota and he may take delivery out of the elevator if he wishes.

Senator Yuzyk: But once accepted he will be paid, either or malting purposes or for feed barley?

Mr. Gibson: That is correct, and at the time it is unloaded the sales transaction will take place between the Canadian Wheat Board and the malting house. Initially, when it is delivered the elevator company, acting as agent f the board, will pay the initial payment to the producer. There is also a premium of 15 cents per bushel paid by the maltster to the producer.

Senator Yuzyk: How about the distribution? Does the naltster want barley from one particular region, or does it pply throughout the Prairies in this case?

Mr. Gibson: Of course, there are regions of the Prairies in which producers seem more successful in raising malting barley, and I am sure that if the maltsters had a free and they would select only in those areas. The board teeks to equalize or provide the delivery opportunity brough its quota system. At the beginning of the year new will say all producers have an opportunity to deliver carload lot of malting barley provided it is selected and rovided they have the quota acreage in their permit ooks. In this manner they endeavour to equalize the mare and provide the delivery opportunity. After every-

one has had an opportunity to deliver one carload lot they will be told that they now have an opportunity to deliver a second carload lot. In that manner it is attempted to equalize the delivery opportunity.

Senator Yuzyk: I believe that is a very good system, but what happens if there is too much barley of top grade? Who is left out?

Mr. Gibson: There is some chance, certainly, that since the maltster is selecting the barley often just by luck maybe someone will get his sample in earlier. Maybe the maltster—I am not certain of this—would recognize the barleys from a particular area in which he has had successful experience previously. Certainly it is not completely covered.

The Chairman: But when the producer cannot sell a good quantity of barley as malting barley, he, the producer, can either take it to the elevator and sell it as feed barley . . .

Mr. Gibson: Certainly.

The Chairman: —or he can keep it until the next year, hoping that it will keep its quality, so he is not really worse off because of this provision.

Mr. Gibson: No.

The Chairman: Anyway, that is my idea of it as a farmer; he is not worse off, and he could be better off.

Senator Yuzyk: I am interested that there be fair play and an opportunity for a small producer to be able to sell malting barley for malting purposes. We know what happened during the last crop year when millions of bushels were purchased as feed barley and converted into malting barley. Is that not one of the issues I brought up in my speech in *Grain News*, where the Alberta producers are now suing the Canadian Wheat Board? Is there any substance to their charges and how far has that case progressed?

Mr. Gibson: I hate to comment on a case that is before the courts, but my personal view is that there is no substance.

Senator McDonald: There are two points of which you should be aware: In the first place, the maltsters keep representatives in the field during the growing season. There are some areas in Western Canada, as the witness mentioned, which grow excellent malting barley normally. Now, the field representative travelling throughout the Prairie region knows before the crop comes off where the good malting barley is. There may be the problem of a crop that is already swathed that would make excellent malting barley when it is swathed. However, field representatives know where the good barley is and under normal conditions that is where they like to buy their barley. It does not matter whether it is a large or small producer, if a good sample is sent in they take a carload lot of barley. However, we must remember that some barley after swathing is good and a sample is sent in and accepted for malting. However, by the time the carload arrives the barley is no longer malting barley because of the weathering that has taken place. Then, if the malsters refuse it when it arrives at the brewery, it is taken off your regular quota. Whether it is 1 Feed barley, or whatever the grade is, has nothing to do with whether it be accepted for malting or not-nothing. You may have the best of malting barley, but if the maltsters have all the barley they can use

in Canada, and the export market is full, you will probably wind up selling it as feed. It is a matter of supply and demand and weather as much as it is a farmer's expertise in growing.

Senator McNamara: I have one or two comments to make. In all our discussions, we are talking about a malting barley pool. That is not right. It is barley selected for a malting pool.

Mr. Goodale: Selected and accepted.

Senator McNamara: Yes. The board, through their quota system, endeavours—they did six years ago, and I presume they are doing it now—to distribute it as equally as they can. There is competition among the maltsters. There are two big companies, and there is some selection going on at the terminals for export to the United States, which is a good market.

At the beginning of the season, the farmers send in their samples, and some of them are not quite accurate so far as the barley delivered is concerned. But the board issues, over the general barley quota, special permits on barley selected. If not up to sample, it is rejected. They can protest to the Board of Grain Commissioners, but if that barley is not equal to the standard it is rejected, and you would then get only the regular grade price, plus the fact that the over-quota permits are withdrawn. A farmer might be over-delivered 2,000 bushels and he cannot delivery any more feed barley or any kind of barley until that quota catches up. So there is a penalty attached to it.

Generally speaking, I have always contended that all barleys should be malted. I do not think you can say that this barley will malt. It is a difference in the quality of the product. In years of good harvesting conditions there could be a big surplus of barley that would be suitable for malting if the maltsters would select. But instead of letting them concentrate in certain areas, the board tries to distribute it. So long as farmers have barley that is suitable, the malsters are prepared to accept it. They are pretty careful about this. There is no guarantee that the board will make two or three cars right away. At such times that the board cannot get sufficient barley from one car, the board will go to the second car. I think it is a fair system because it does equalize the opportunities. What is the usage of barley selected for malting in Canada at the present time? Is it about 40 million bushels?

Mr. Gibson: Last year it was about 39 million bushels, of which approximately half was malted. In the last record year we exported about 8.8 million bushels of the malt. Most of the barley that is not malted and selected is exported also as raw grain.

Senator McNamara: We should keep in mind that the 40 million bushels, approximately, selected is only about 10 per cent of the barley production in Western Canada. There is bound to be surplus barley that could have been used in a normal year.

Senator McDonald: How much barley does the board buy for both malting and feed?

Mr. Gibson: In the 1974-75 crop year, they produced 163 million bushels of barley.

Senator McNamara: Would you check that figure—160 million delivered to the board?

Mr. Gibson: I have a summary of the annual report.

Senator McNamara: It might be a good thing to have that on the record—the summary of barley usage.

The Chairman: If it is fairly short, we could incorporate it in your remarks, Mr. Gibson.

Senator Yuzyk: It would be useful.

Mr. Gibson: I have a figure of 163,127,377 bushels as receipts from producers of barley in the 1974-75 year.

Senator McDonald: Does that include malting barley?

Mr. Gibson: Yes.

Senator McDonald: So, about 163 million bushels went through the board as feed barley?

Mr. Gibson: Yes. In the 1974-75 crop year, because of the growing conditions, and so forth, there was less of the "cw" grades selected for malting than the maltsters wanted. For that reason, they had to select a large amount of No. 1 feed barley.

Senator McDonald: Barley can also be sold on non-board.

Mr. Gibson: Yes.

Senator McDonald: Do you have the figures for those sales?

Mr. Goodale: For the 1974-75 crop year, as of June 23, 1975, the figure for non-board wheat was 41.3 million bushels. For the current crop year, as a June 23, the figure in respect of non-board sales was 48.8 million bushels of barley.

The Chairman: Dealing with the advisory committee, am I correct that the advisory committee advises the Canadian Wheat Board on barley, oats and anything else the Wheat Board may be involved in?

Mr. Goodale: It advises the board on all matters relating to its operations. The advisory committee is there to provide producer input on Wheat Board operations. It does not relate to any particular grain. It covers all of the board's operations.

The Chairman: Can you tell me what advice the government received from the advisory committee, or the Wheat Board receives from the advisory committee, in connection with the pricing of feed barley into the eastern market at corn competitive price? In other words, was that new policy announced a few weeks ago supported by the majority of the advisory committee, or did the advisory committee talk about it at any time?

Mr. Goodale: I have not attended any of the meetings of the advisory committee, either the new one that was elected on the experimental basis or the older one that was appointed, but I would presume that this issue, being one of continuing interest to farmers, has been discussed from time to time by the advisory committee. I do not know what specific comments the advisory committee had to make about feed grains policy generally, or the most recent announcement in that regard, although I do know that the advisory committee was in session either the very day or the day following the announcement of the most recent changes, and considered the matter at that particular time.

The Chairman: It is our hope to be able to report this bill when the Senate resumes later today. Perhaps you

could supply me with a written reply to that question, setting out specifically whether or not the advisory committee had any advice for the board with regard to the pricing of feed barley, corn competitive, and, if so, what that advice was and whether or not it was considered by the board.

Senator McNamara: Mr. Chairman, speaking from past experience—and Mr. Goodale, of course, can correct me if this is not presently the case—in my tenure, the minutes of the advisory committee were confidential to the board and to the minister, and were not made public. For that reason, it may be difficult to get a reply to your question.

The Chairman: Senator McNamara, I am not looking for Mr. Goodale to give me secrets that are not available to anyone else. I am simply wondering whether the producers in Western Canada can have the information as to whether or not the advisory committee considered this matter. Knowing advisory committees, even though it may be confidential to the board, I would think that it has leaked already. Anyway, I am not asking for something that is sub judice.

Mr. Goodale: Certainly, since the electoral procedure has been in place for the advisory committee, the various members—I am not sure if it is true of all of the elected members, but certainly it is true of a great number of the new advisers—have taken advantage of the opportunity they have to report back to their respective constituents.

Senator Yuzyk: How do they report back? This, I think, is very important. Do they call meetings of the producers at the various points across their constituency?

Mr. Goodale: This was a matter that was the subject of some discussion in the House of Commons proceedings on the legislation. The particular matter that brought it to mind was the question of cost, and the question of whether the advisers would have reasonable expenses paid in undertaking the business of keeping in touch with their farmer constituents. Certainly assurance was given in the standing committee of the house that the legislation as it is now framed is broad enough to cover the reasonable expenses that the members would incur; but it is envisaged as a necessary part of the adviser's work that he would provide ways to communicate back, obviously, to the people who elected him, and that would involve, as many of them do, providing reports through the weekly newspapers in their particular areas, or perhaps newsletters sent directly to producers. Certainly public meetings are very much a part of that whole information process.

Senator Yuzyk: This is provided for in the regulations, is it?

Mr. Goodale: It is provided for in a general way in the statute that provides for the deduction of these expenses, but the details of that would be worked out in regulations. The whole gist of an advisory committee to try to provide that link between producers and the Wheat Board, in a practical kind of way, obviously implies communication flowing in both directions on, it is to be hoped, a regular and effective basis. It is a new experiment in an elected framework at the moment, and hopefully it will evolve into something that is very useful in terms of that communication flow.

Senator McNamara: Just on that point, Mr. Chairman, I understand, from evidence given in the other place, that the Wheat Board have indicated that they hope to arrange

with the advisory committee to have regular meetings in each district at which a board member can attend and talk directly to the producers. It has been the policy of the board over the years to attend meetings of organized farmers, grain growers, farmers' unions, and so on, and get as much information as possible first hand; but now this advisory committee has been set up and it will be a very helpful means of getting information back to the producers.

I would like to say one more thing about barley, before we leave that point. It is quite important, I do not know quite how to phrase the question I want to ask, but I will give you my understanding of the situation and I can be corrected if I am wrong. There has been some feeling, I think, in the chamber that this barley selected for malting can be exploited by the elevator companies; that is, where a car lot is not available from a producer, but he has part of a car lot of barley that would be suitable for malting. and he delivers it in the regular way to the elevator as feed barley, or whatever the grade is. A skilled elevator operator could probably segregate enough of that barley that a carload lot would be suitable and would be accepted by the maltsters. They would want to check it, and then the company would sell it to the maltsters. This is permissible, but when the Wheat Board gets a car that has been accepted by the maltsters, say, from the pool, or the grain growers, or any other company, then they charge the malting barley price, not the feed grain price.

Payment for that barley that the board receives, of course, cannot be reflected by them back to the individual grower, since they do not know who he is. There may be 10 or 15 growers that contributed to the make-up of this carload. But the grain, as I understand it, under the new operation, will go into the selected barley pool. While they cannot reflect that payment that would have realized from the maltsters buying that cargo for malting, at least the participants in the selected barley pool will get the benefit of that premium, and it will be reflected into that pool, so that the same people who had the barley selected will get the benefit of any premiums realized by the trade in selecting and shipping barley and selling it to the maltsters for the board.

Senator Yuzyk: This is what was at issue with the Alberta barley producers.

Senator McNamara: Yes, to some extent it was, although I think they contended that all their barley should have been graded as the same quality.

Senator Yuzyk: I want to make a correction here of something I said in my speech in the Senate. I quoted from *Grainews*, stating it was published in Calgary. It so happens that the lawyers are in Calgary, and *Grainews* is published in Winnipeg. I think it is either an official or an unofficial publication of the United Grain Growers, is it not?

Mr. Goodale: I think that is correct. If I could add a footnote to the explanation that Senator McNamara has just offered, I would like to say that I think the board makes a practice of giving farmers selling directly, in their carload lot approach to malting barley, first preference, and that they really only go to the companies as a last resort. If all producers' opportunities have been exhausted, and they still have a need for malting barley, then they look to the line companies to make up any deficit, so the farmer has a first preference in that.

Mr. Gibson: If I might elaborate on that, the Wheat Board also will not allow maltsters to select line barley unless there are no outstanding car lot delivery permits in the hands of the producers. That is, if there are some producers who have submitted a sample and were told that it was acceptable and were waiting to deliver, the board would not allow the maltsters to take line barley until all of these were cleared up. I would also add that the amount of line barley taken by maltsters is quite small. On average it does not exceed 5 per cent of the total amount of barley they purchase. In the 1974-75 crop year, because of unusual conditions, it was 10 per cent, but in the previous years it was around 2 or 3 per cent of the total purchases.

The Chairman: I have one or two questions I would like to ask, mainly because we have the experts here, and if they do not have the information to give at this time, at any rate they can take the problem with them. I want to ask about the grading of grain, specifically concerning a couple of grades of Durum, and it also has to do with the crop insurance system which we have been studying. This is an example of what I have in mind. The crop insurance people, on the basis of an adjustment of a claim from a farmer, said that they adjusted his claim on the basis of 4 cw Durum. The elevator companies would buy it only at 5cw Durum. The farmer appealed and the crop insurance people sent that Durum to the Board of Grain Commissioners in Calgary and it came back at 4 cw. Subsequently the Durum was sent to the official grain inspector in Winnipeg and it came back No. 5. Now there is obviously something wrong here. I would think offhand that the crop insurance people should be dealing with the chief grain inspector's office, and when the Board of Grain Commissioners says, "This is the grade of that Durum for the purposes of awards and payments under crop insurance," then the farmer should know that one branch of government is not giving him a bad deal as opposed to another branch.

Mr. Goodale: Could I just ask, Mr. Chairman, if the offices in each case, the one in Calgary and the one in Winnipeg, were Grain Commission offices?

The Chairman: Yes.

Mr. Goodale: Well, obviously there is an inconsistency there and without having an opportunity to check into the specifics of the case I am not sure that we can give a definitive answer as to what happened. But certainly if that kind of problem is something that is being experienced by farmers, I would think both the ministers who have an interest, Mr. Lang and Mr. Whelan, would want to find out why that inconsistency exists.

The Chairman: I raise it because it is a problam and something should be done about it. If Calgary and Winnipeg are going to be used, then they should be on an equal footing and the final grade at one place should be the same as the final grade at the other, or they should all go through the chief grain inspector so that the farmer is not caught in the middle.

Mr. Goodale: Well, having had that specific instance drawn to our attention, we will certainly pursue it with the officials of both ministers involved. Perhaps Mr. Gibson would like to say a word on this.

Mr. Gibson: I am not certain, Mr. Chairman, that I have the explanation. I think there are three stages. When a producer delivers his grain, he will get some indication of grade from the elevator agent. If he disagrees with that, he can go a step higher and get a grade from the commission in Calgary, and then he was a final right of appeal, I believe, to the chief grain inspector in Winnipeg who makes the ultimate decision as to what the grade is. This might be the situation you are discussing.

The Chairman: No. Part of it is correct. The final settlement through the crop insurance people was done through the Calgary office. To my knowledge, nobody ever suggested to the farmer that he had a final right of appeal to the chief grain inspector. The appeal was made to the crop insurance people and they said that for their purposes they accepted the final settlements made by the Board of Grain Commissioners in Calgary. I only raised this as the type of problem which might perhaps in the future be corrected, if the facts are as I say they are.

Mr. Goodale: It may be more particularly an administrative problem for crop insurance rather than a difficulty for the Wheat Board or the Grain Commission. It certainly is a matter that should be drawn to their attention.

The Chairman: But at some point the farmer should be getting the same grade and it should not be costing him money because one agency of the government says it is one grade and then another says it is not.

Are there other comments from honourable senators with respect to this bill?

Senator Yuzyk: I have one more question with respect to the establishment of the pools. Now we have the establishment of pools for malting barley and I understand there is a pool for Durum wheat; is that correct?

The Chairman: Yes.

Senator Yuzyk: I am also aware that, for instance, Europe when it purchases our wheat purchases it according to protein content. Is there any possibility in this legislation for the establishment of pools to take care of grading for protein content?

Mr. Goodale: Senator, this is a matter that has been of active interest to producers for some considerable length of time, probably more particularly in recent years. However, the legal capacity for the Canadian Wheat Board to reflect a protein difference in terms of price back to producers exists in section 26 of the Canadian Wheat Board Act as it presently stands. The amendments we are discussing today really do not relate to the protein question. The question of protein grading in that sense is already covered by the existing legislation, the Canadian Wheat Board Act. However, there has been a substantial technical difficulty in trying to provide that reflection of price back to producers, in that it is virtually impossible under present technological circumstances to be able to provide a way at the country elevator to immediately make an assessment of the protein quality. It is easy to do it at a terminal location where it is loaded for export, because the technological capacity exists. It is a very expensive and difficult proposition to provide that capacity in every elevator throughout the Prairies. However, the Wheat Board and the government have been very sensitive to this issue during the last several months and few years, in particular, and have been considering different methods whereby we might accommodate this wish of producers to see protein differences reflected back.

When Mr. Vogel, the chief commissioner, appeared before the standing committee of the other place to discuss this legislation, he indicated a number of ways by which this might be done in order to provide producers with that reflection of protein differences. The indication he gave at that time, which was later confirmed when Dr. Kristjanson appeared before the committee of the other place discussing the Wheat Board's annual report, would be to deal with protein grades on the carload lot basis, similar to the manner in which we have been dealing with malting barley, although the two should not be confused because they are separate parts of the legislation. However, allowing a producer to provide a sample on a carload lot basis and eventually be paid for it if it turns out to be the protein quality that he believes it to be is the proposal.

The board, I believe, now is developing a full procedure in an endeavour to provide that ability to reflect back to producers their protein quality on the carload lot basis. I do not believe they have announced a final procedure as to how they propose to deal with it, but they are considering it right at this moment and, hopefully, we will see it in place very shortly.

Mr. Gibson: I might elaborate on what you have said, Mr. Goodale. The Canadian Grain Commission and the Canadian Wheat Board in the coming crop year, 1976-77, intend to carry out a trial protein testing system. As Mr. Goodale has explained, they have not decided on the type of system they will use. He described the car lot basis, for example. A premium might be paid on any barley . . .

Senator Yuzyk: Wheat.

Mr. Gibson: Pardon me; on any wheat the protein level of which is 15 per cent, or something in that order. But I do not think there is any final decision yet on the broad type of system.

Senator McDonald: Suppose a procedure could be worked out for a separate wheat pool on a protein basis, that would not necessitate an amendment to this act. This act is broad enough, and all it would necessitate is an order in council to do that, is that right?

Mr. Goodale: I am not sure if the order in council method is precisely the method, Senator McDonald, but I do not believe it would require an additional amendment. In fact, the amendments we are discussing today in Bill C-88 do not really relate to the protein question. The authority to deal with that issue is already in the statute, in section 26, and Mr. Vogel indicated to the House of Commons committee that he felt the authority given to him in section 26 was sufficient to accommodate the protein question once we have overcome the technological prob-

lem of how you sort out the one from the other. I do not think any further legislation would be required.

Senctor McDonald: Suppose in the future there was a decision made to segregate oats for human consumption, or pearling barley. Again, it would not mean an amendment to the act, as I understand it. The act is broad enough to set up pools for specific useage without bringing this legislation back.

Mr. Goodale: The examples you have referred to would be covered by the amendments we are discussing today. The question of protein is something separate. It is already in the statute. But in the case of pearling and other specialty end uses, the wording of the present Bill C-88 would cover it, because, to use the jargon of the Wheat Board Act, everything is written in terms of wheat, and there are provisions at the end of the statute that translate wheat into oats and barley for all other purposes.

Senator Yuzyk: Certainly, Bill C-88 is a precedent for the establishment of other pools.

Mr. Goodale: Yes. It could be much broader than just the malting barley question.

The Chairman: Some farmers will gain this year, presumably, because they have high protein wheat. Some will start to gain by it.

Mr. Goodale: High protein this year?

The Chairman: That is right—by car lot selection.

Mr. Goodale: By "this year", you mean . . .

The Chairman: The coming crop year. Hopefully that would be the case. The farmer would get paid some bonus if his carload is a high protein wheat. He will get some extra money?

Mr. Goodale: Right.

The Chairman: Are there any further comments? Are we in a position to make a motion that the bill be reported without amendment?

Senator McNamara: I so move.

The Chairman: Are all in favour?

Hon. Senators: Agreed.

The committee adjourned.











FIRST SESSION—THIRTIETH PARLIAMENT 1974-76

THE SENATE OF CANADA

PROCEEDINGS OF THE

STANDING SENATE COMMITTEE OF

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman
The Honourable HERVÉ J. MICHAUD, Deputy Chairman

Issue No. 36

TUESDAY, JUNE 8, 1976
THURSDAY, JUNE 10, 1976
WEDNESDAY, JUNE 23, 1976
FRIDAY, JULY 16, 1976
WEDNESDAY, JULY 28, 1976
TUESDAY, AUGUST 3, 1976
WEDNESDAY, SEPTEMBER 29, 1976

A Study into the Agricultural Potential of Eastern New Brunswick

REPORT OF THE COMMITTEE

entitled

KENT COUNTY CAN BE SAVED

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman

The Honourable Hervé J. Michaud, Deputy Chairman

The Honourable Senators:

Argue
Blois
Côté
*Flynn
Fournier
Greene
Haig
Hays
Inman
Lafond
MacDonald

McDonald
McElman
McGrand
McNamara
Michaud
Molgat
Norrie
*Perrault
Sparrow
Williams
Yuzyk—(22).

(Quorum 5)

^{*}Ex officio members

Orders of Reference

Extract from the Journals of the Senate, February 22, 1973:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Argue, seconded by the Honourable Senator Lafond:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada.

After debate,

With leave of the Senate, and-

On motion of the Honourable Senator Argue, it was—

Ordered, That the motion be modified by substituting a colon for the period after the word "Canada" and adding thereto the following:

provided that no special expenses shall be incurred by the Committee without specific authorization by the Senate and full compliance with Rule 83A, and that all Senators shall be notified or any scheduled meeting of the Committee and the purpose thereof and that it report the results of any such examination to the Senate.

The question being put on the motion, as modified, it was—

Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Extract from the Journals of the Senate, March 28, 1973:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Lafond:

That the Standing Senate Committee on Agriculture which was empowered by the Senate on 22nd February 1973, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada: provided that no special expenses shall be incurred by the Committee without specific authorization by the Senate and full compliance with

Rule 83A, and that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that it report the result of any such examination to the Senate, have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of any such examination; and

That the Committee, or any sub-committee so authorized by the Committee, may ajourn from place to place in Canada for the purposes of any such examination.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Extract from the Journals of the Senate, March 28, 1974:

"With leave of the Senate,

The Honourable Senator Argue moved, seconded by the Honourable Senator Lafond:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate.

After debate, and-

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Extract from the Journals of the Senate, April 8, 1974:

"With leave of the Senate.

The Honourable Senator Langlois moved, seconded by the Honourable Senator Martin, P.C.:

That the Standing Senate Committee on Agriculture which was empowered by the Senate on 28th March, 1974, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate, have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination,

That the Committee have power to sit during adjournments of the Senate.

After debate, and-

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, *Clerk of the Senate.*

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate.

That the Committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Extract from the Minutes of the Proceedings of the Senate, July 6, 1976:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Bell:

That the Standing Senate Committee on Agriculture be authorized to publish and distribute its report on Kent County, New Brunswick, as soon as it becomes available, even though the Senate may not then be sitting.

The question being put on the motion, it was—Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

Minutes of Proceedings

Tuesday, June 8, 1976.

Pursuant to adjournment and notice the Standing Senate Committee on Agriculture met this day, at 10:00 a.m., in camera to consider the Summary Report of the Research Branch, Library of Parliament, on the Special Study undertaken by the Committee on Kent County.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Greene, Lafond, McDonald, McGrand, McNamara, Michaud, Molgat and Yuzyk. (10)

In attendance: Messrs. Len Christie and Thomas Curren, Project Officers, Research Branch, Library of Parliament, and Mr. P. L. Appleton, Research Consultant to the Committee

After discussion and approval of the Summary Report, it was *agreed* that the said Report be incorporated in the first Draft Report to be considered at the next meeting.

At 11:20 a.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Thursday, June 10, 1976.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day, at 10:00 a.m.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Greene, McGrand, McNamara, Michaud, Molgat and Yuzyk. (8)

In attendance: Messrs. Len Christie and Thomas Curren, Project Officers, Research Branch, Library of Parliament, and Mr. P. L. Appleton, Research Consultant to the Committee.

The Committee continued its study of the first "Draft Report" on Kent County.

At 11:35 a.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee. Wednesday, June 23, 1976.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day, at 4:00 p.m. in camera.

Present: The Honourable Senators Michaud (Deputy Chairman), Fournier (Restigouche-Gloucester), Lafond, McDonald, McGrand, McNamara and Yuzyk. (7)

In attendance: Messrs. Len Christie and Thomas Curren, Project Officers, Research Branch, Library of Parliament, and Mr. P. L. Appleton, Research Consultant to the Committee.

The Committee continued its consideration of the first Draft Report on Kent County.

After a lengthy discussion, during which the Committee made several recommendations and approved a proposed Outline prepared by Mr. Appleton, it was agreed that the Research staff proceed directly with the preparation of the final Draft of the Report.

At $4:40\ p.m.$ the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Friday, July 16, 1976.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day, at 9:00 a.m. to consider the final Draft Report on Kent County.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Lafond, Macdonald, McGrand, Michaud, Molgat, Norrie, Sparrow, Williams and Yuzyk. (11)

After discussion, it was moved that the Steering Committee be empowered to approve at a subsequent meeting, the final Draft Report, subject to amendments thereto, for printing and publication.

At 10:19 a.m. the Committee adjourned to the call of the Chairman. $\,$

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee. Wednesday, July 28, 1976.

Pursuant to adjournment and notice, the Steering Committee of the Standing Senate Committee on Agriculture met this day, *in camera*, at 11:00 a.m.

Present: The Honourable Senators Argue (Chairman), Lafond, Michaud and Yuzyk. (4)

In attendance: Mr. Len Christie, Project Officer, Research Branch, Library of Parliament, and Mr. P. L. Appleton, Research Consultant to the Committee.

The Committee continued its consideration of the final Draft Report on Kent County.

After discussion it was *agreed* that the Steering Committee hold a further meeting to consider the amended Draft Report.

At 1:55 p.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Tuesday, August 3, 1976.

Pursuant to adjournment and notice, the Steering Committee of the Standing Senate Committee on Agriculture met this day at 10:00 a.m. in camera.

Present: The Honourable Senators Michaud (Deputy Chairman), Lafond, McGrand and Yuzyk. (4)

In attendance: Mr. P. L. Appleton, Research Consultant to the Committee.

The Committee continued its consideration of the final Draft Report on Kent County.

Further amendments to the final Draft Report were considered and adopted.

Pursuant to authority granted to the Steering Committee at a meeting held on July 16, 1976, it was *Resolved* to adopt the Report, as amended.

Upon Motion of the Honourable Senator Yuzyk, it was Ordered that $6{,}000$ copies of the Report be printed in special booklet form.

At 12:45 p.m. the Committee adjourned to the call of the Chair.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Wednesday, September 29, 1976.

Pursuant to adjournment and notice, the Standing Senate Committee on Agriculture met this day at 9:30 a.m.

Present: The Honourable Senators Argue (Chairman), Fournier (Restigouche-Gloucester), Lafond, McDonald, McNamara, Michaud, Norrie and Yuzyk. (8)

The Committee discussed several aspects of the Report on Kent County which was scheduled for release immediately after the meeting.

It was moved by the Honourable Senator Lafond that the motion authorizing the Committee to print the Report, be amended by striking out the words "6,000 copies" and substituting therefore the words "5,000 copies". Motion carried.

At 10:05 a.m. the Committee adjourned to the call of the Chairman.

ATTEST:

Mrs. Aline Pritchard, Clerk of the Committee.

Report of the Standing Senate Committee on Agriculture

KENT COUNTY CAN BE SAVED:

An Inquiry into the Agricultural Potential of Eastern New Brunswick

Chairman: The Honourable Hazen Argue

Deputy Chairman: The Honourable Hervé J. Michaud

MEMBERSHIP OF THE COMMITTEE

(As of August 3, 1976)

THE STANDING SENATE COMMITTEE ON AGRICULTURE

The Honourable Hazen Argue, Chairman

The Honourable Hervé J. Michaud, Deputy Chairman

and

the Honourable Senators:

Argue	Hays	Michaud
Blois	Inman	Molgat
Côté	Lafond	Norrie
Flynn (Ex Officio)	Macdonald	Perrault (Ex Officio)
Fournier	McDonald	Sparrow
(Restigouche-Gloucester)	McElman	Williams
Greene	McGrand	Yuzyk
Haig	McNamara	

(Quorum 5)

Note: The Honourable Senators Bélisle, Benidickson, Lawson, Petten, Phillips, Prowse, Quart and Welch also served on the Committee.

ORDERS OF REFERENCE

(First Session—29th Parliament, 1973-74)

Extract from the Journals of the Senate, February 22, 1973:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Argue, seconded by the Honourable Senator Lafond:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada.

After debate.

With leave of the Senate, and—

On motion of the Honourable Senator Argue, it was-

Ordered, That the motion be modified by substituting a colon for the period after the word "Canada" and adding thereto the following:

provided that no special expenses shall be incurred by the Committee without specific authorization by the Senate and full compliance with Rule 83A, and that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that it report the results of any such examination to the Senate.

The question being put on the motion, as modified, it was—

Resolved in the affirmative."

Robert Fortier Clerk of the Senate

* * * * *

Extract from the Journals of the Senate, March 28, 1973:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Lafond:

That the Standing Senate Committee on Agriculture which was empowered by the Senate on 22nd February 1973, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada: provided that no special expenses shall be incurred by the Committee without specific authorization by the Senate and full compliance with Rule 83A, and that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that it report the result of any such examination to the Senate, have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of any such examination; and

That the Committee, or any sub-committee so authorized by the Committee, may adjourn from place to place in Canada for the purposes of any such examination.

The question being put on the motion, it was—

Resolved in the affirmative."

Robert Fortier, Clerk of the Senate

(Second Session—29th Parliament, 1974)

Extract from the Journals of the Senate, March 28, 1974:

"With leave of the Senate.

The Honourable Senator Argue moved, seconded by the Honourable Senator Lafond:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

Robert Fortier Clerk of the Senate

Extract from the Journals of the Senate, April 8, 1974:

"With leave of the Senate,

The Honourable Senator Langlois moved, secondee by the Honourable Senator Martin, P.C.:

That the Standing Senate Committee on Agriculture which was empowered by the Senate on 28th March, 1974, without special reference by the Senate, to examine, from time to time, any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate, have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination,

That the Committee have power to sit during adjournments of the Senate.

After debate, and-

The question being put on the motion, it was-

Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

(First Session—30th Parliament, 1974-75-76)

Extract from the Minutes of the Proceedings of the Senate, October 29, 1974:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Yuzyk:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine, from time to time any aspect of the agricultural industry in Canada; provided that all Senators shall be notified of any scheduled meeting of the Committee and the purpose thereof and that the Committee report the result of any such examination to the Senate.

That the Committee have power the engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination; and

That the Committee have power to sit during adjournments of the Senate.

The question being put on the motion, it was—

Resolved in the affirmative.

Robert Fortier, Clerk of the Senate.

Extract from the Minutes of the Proceedings of the Senate, July 6, 1976:

"The Honourable Senator Argue moved, seconded by the Honourable Senator Bell:

That the Standing Senate Committee on Agriculture be authorized to publish and distribute its report on Kent County, New Brunswick, as soon as it becomes available, even though the Senate may not then be sitting.

The question being put on the motion, it was—

Resolved in the affirmative."

Robert Fortier, Clerk of the Senate.

DDEEACE

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PREFACE

The following report is the conclusion of a study made by the Standing Senate Committee on Agriculture on the present situation and the opportunities facing agriculture in Kent County, New Brunswick. The study was launched in Moncton in June, 1973, in the form of a public inquiry where for three days the committee listened to the trials and grievances of the farmers of Kent and the views of other interested parties.

The concluding report has not been writen for government agencies: it has been written for the people of Kent County to whom we are so indebted for their support.

"It is these same people and their descendants who have been living in Kent County for nearly 200 years. The Acadians are the descendants of the first immigrants who came to this county at the birth of the colony. The first Acadian parishes of Kent County, such as Grande Digue, Cocagne, Bouctouche, St. Louis and Richibucto Village received their first settlers well before 1800.

The Acadians were ably supported by their English-speaking compatriots in their efforts to open and develop the area. The villages of Rexton and Richibucto saw the first English-speaking citizens to settle in the central part of the area. These two villages also were founded nearly 200 years ago.

These Canadian citizens of different origins collaborated wholeheartedly because they all felt in their own hearts they were thus serving their country through the only means available to them, namely breaking and cultivating the land which enabled them to feed their own children and the other citizens. And it is this common heritage, so difficult in the making, that people would give back to the forest without any further consideration, forcing the rightful owners of the land consequently to give up an equity that quite often has only come about through nearly two centuries of hard work. That must not be".1

It is to these people, the people of Kent, that this report is dedicated.

¹ Extract of a speech made by Senator Hervé J. Michaud in the Senate, on February 2, 1971.

INTRODUCTION

It is important to all Canadians that the future of Kent County be bright and prosperous, that successful development programs be embarked upon so that the people of Kent are able to receive both economic and social reward for their continuing contribution to the Canadian way of life. For, it is these 26,000 inhabitants of Kent County that represent the plight that has been inflicted upon so many people in similar situations in Canada. Kent County represents the struggle of the rural community in Canada to survive the infectious "big is best" attitude that permeates Canadian society. And hence, Kent County not only represents the plight of rural Canada: it is Rural Canada. From British Columbia, across the Rockies to the spreading Prairies, in the shadow of the bright lights of Ontario and Quebec to the less densely populated Maritime provinces, there are many Kent Counties.

Since Kent County is so typical of many rural areas, it is representative of the plight of rural Canada at a time when society's priorities tend to ignore the potentials of the rural areas. Because it represents all of rural Canada, Kent County must be saved! Thus, the publication of "Kent County Can be Saved!" This present report deals with the resources of Kent, the land, the climate, and the people. It deals with opportunities that can be acted upon to help Kent move back into the sound economic and social environment that once was characteristic of the region. The opportunities for development in Kent are many. Although this report discusses exclusively the opportunities facing agriculture and the role of agriculture in the future of Kent, it also recognizes the important role that has and must once again be played by the forestry and fishing industries in Kent County.

The opportunities are there, the resources are there. Kent's most important resource, its people, can and must continue their work towards the future development of Kent. This report has been written for these people for without their support, nothing is possible and with it, all is possible. It is hoped that governments will recognize this and work with the people of Kent to achieve the potential of so rich a land. For if Kent County fails, we as Canadians fail. The very basis of what makes our country so rich is lost. We as Canadians must not allow Kent County and rural Canada to disintegrate before our eyes. The struggle must continue and Canada must win!

ACKNOWLEDGEMENTS

The three year task of holding inquiries, researching, writing and printing "KENT COUNTY CAN BE SAVED" has established a long list of individuals and organizations who have played an important role in the completion of this task.

Over this period many Senators have served on the agricultural committee, to whom we are most grateful for their continued support and diligent work. A special thank you must go to Senator Hervé J. Michaud who has been dedicated in his effort to see the real story of Kent told.

The committee is most appreciative to all those individuals who appeared before it either in Moncton or Ottawa, and without whose support, this work could never have been completed. To all other private individuals and government representatives who provided input—we are most appreciative.

Throughout the study, the committee was most ably supported by Mrs. A. Pritchard, the Clerk of the Committee, whose dedication and diligent work ensured the meeting of many deadlines.

The committee was fortunate to be supported by a most able team of researchers composed of Mr. Albert F. Chambers, Research Director of the Agricultural Committee and Mr. L. Christie of the research staff of the Parliamentary Library, and at a later date, Mr. T. Curren of the Parliamentary Library research staff. The final report was coordinated by agricultural consultant Mr. P. L. Appleton of P. L. Appleton & Associates, assisted by Miss C. Fortier.

Unfortunately, it is not possible to individually thank all those who helped out in many ways at many difficult times. Their help was invaluable.

Hazen Argue Chairman

Chapter I

THE STORY OF KENT COUNTY

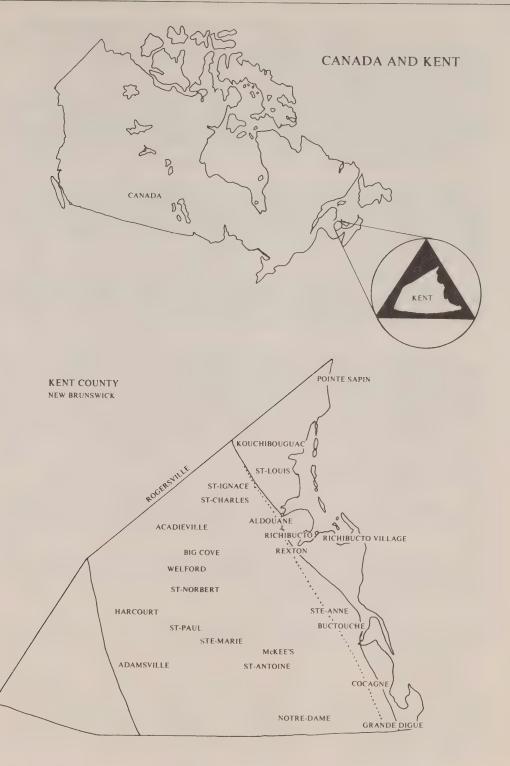
Kent County lies on the eastern seaboard of New Brunswick, a roughly triangular tract of land of approximately 1,741 square miles. Today, the region is largely covered by second-growth forest interspersed with scattered areas of farmland. To the east of Kent County, across the Northumberland Strait, lies Prince Edward Island. In common with the latter, Kent County possesses a rich resource in attractive beaches.

The History of Kent County

As one of the oldest settled areas in New Brunswick, Kent County has a long and interesting history. The three great racial entities of Canada are represented in the colorful tapestry that comprises the history of the region.

The first inhabitants of the area were the Micmac Indians who spoke the Algonquin language. Indeed, the great Micmac Nation of what became Eastern Canada centred on the mouth of the Richibucto River and specifically Richibucto Island. Today, this is known as Indian Island. The native Micmac found an easy life in this area, since the tidal ponds and lagoons, the rivers and the interior forests provided a bountiful supply of food and materials.

During the sixteenth century, the earliest recorded visits of white men to Kent County were made. These first white men were the Bretons or Celts. The Bretons were followed by the Spaniards and later, in 1534, by the French under the command of Jacques Cartier. In 1604, the great French explorer, Samuel de Champlain, arrived at St. Croix Island, initiating the first settlements of the French in little fishing villages along the coast of Kent County. The Jesuits established the first religious institutions in the region. What is now Richibucto was the eventual site of the first Jesuit mission in 1646.



The year 1684 witnessed the establishment of the first seigniory in Kent County at Fort Richibucto on Richibucto Island. Louis d'Amour, Sire of Chauffour, owned the seigniory and his domain extended from the Kouchibouguac River to the Cocagne River, a domain covering some 7,000 acres.

Although the French dominated the European migration into Kent during this period, through the establishment of small fishing settlements along the coast, a few Irish and Scots had started to arrive in 1611. As the population of Europeans, mainly French, increased, several new seigniories were established until 1755, uninterrupted by the English-French conflicts in the New World during the period 1710-1755.

In 1755, however, Major Charles Lawrence demanded the expulsion of all Acadians who would not swear allegiance to England. The resultant dramatic change in events left the small Acadian settlements in total poverty and disarray until the early 1760's when the Acadians again began to settle along the coast of Kent.

Soon after the return of the Acadians in the 1760's, the English began to arrive in Kent County in large numbers. The pattern of settlements was radically altered from the pattern of the past with the Acadians squeezed into settlements near the sea, while the English occupied the fertile agricultural lands in the interior.

In the 1800's, the English industrial thrust created economic problems for the Acadians who increasingly found themselves exploited as a source of cheap labour by traders and manufacturers who developed the natural resources of the area. Most notable during this phase were the Jardine brothers, John and Robert, who came from Scotland at the start of the nineteenth century and founded three companies, one for timber exports, one for fish exports and a third for the construction of ships. These industries formed the basis of the Rexton economy from 1819 to 1884 when steel and steam suddenly replaced wood and sail in the shipping industry. Then, the buoyant industrial enterprise died.

Although these decades of English domination of Kent County were a black period for the Acadians, and produced an unbalanced economic development of the region, these years witnessed the emergence of a great man, the Abbé Belcourt. This priest was aware of the economic exploitation of the Acadians and consequently promoted the Acadian settlements along the Buctouche and Chockpish Rivers. One result was the development of thriving agricultural communities such as Ste. Marie, Ste. Anne, St. Paul and St. Antoine.

With the collapse of the timber and shipbuilding industries, many English families left Kent for the burgeoning industrial centres of Ontario. The Acadians, however, had neither the necessary money nor the skills to compete outside the Kent region. Instead, they remained in the region and continued to settle along the coast of the county and, with the departure of the English, in the interior as well. Their movement inland principally followed the courses of the major river systems. The Acadian population continued to grow as a result of a high natural growth rate. Immigration into Kent County had suddenly ceased in the mid-nineteenth century. Settlement of various locations throughout the county continued until the beginning of the present century.

Population Characteristics of Kent County

The population of Kent County continued to increase through the nineteenth and into the twentieth century. However, after 1891 the population grew slowly. In that year, there were 23,845 inhabitants of Kent County; by 1976, the total number had risen only to 26,200. In fact, the population had declined between 1956 (the peak year) and 1969. Now the trend has been reversed, with a small population increase being recorded over the last several years. This has come about largely as a result of the growth of the largest villages, particularly Richibucto, Cocagne and Buctouche.

Emigration from Kent County, as a reaction to depressed economic circumstances, had begun at least as early as 1921. For example, from 1921 to 1956, some 80 percent of the natural growth of the Kent population apparently left the county. This out-migration has been especially characteristic of rural Canada since the end of World War II as young people, especially, moved to urban industrial centres. The majority of these emigrants would appear to have been in the 15-24 year age group. The result of this movement has been to create an imbalance in the population makeup of Kent County. Thus, more than 60 percent of the inhabitants are either under 14 years or over 60 years of age. The loss of so many young people, on whose shoulders rests the future prosperity of the area, has naturally had a negative effect upon the economic and social well-being of the County.

As would be expected from its historical development, the population of Kent County today is overwhelmingly French (Acadian), with about 81 percent of the people belonging to this group. Another 15 percent are of English descent, and the remainder are descendants of the once-dominant Micmac Indian Nation. This last group today lives on the Big Cove Reservation on the Richibucto River and the smaller Indian Island Reservation.

Linguistically, 35 percent of the County speak French only. Among the agricultural population, this proportion rises to about 60 percent. Fifteen percent of the population speak English only; about 50 percent of the total population are bilingual. Clearly, the bilingual residents of Kent are found among the Acadian population.

The population of Kent County today is largely found in 22 communities. These range in size from about 300 inhabitants in the smallest villages to more than 3,200 in the largest, Buctouche. Although the County is almost entirely rural in character, it has two major highways. Also, and very important in terms of a market for agricultural produce, the southern part of the County is only 20 miles from the city of Moncton, a growing urban centre of some 94,000 people with an expanding industrial base.

Education

Compared to urban areas, the formal educational level of Kent County residents is low but is however about the same as or above that in other rural areas of Canada. Statistics obtained in the 1971 Canadian Census show that educational standards in the County have been improving in recent years, Thus, while only 13.3 percent of

those adults 65 years and older in 1971 had attained a Grade 8 education, the comparable figure for the 20-34 age group was 34.3 percent. Clearly, however, there is a need for improved educational levels in the County, particularly for the farm sector of the population. Today's farming economy requires that farm operators be able to attain relatively sophisticated technical and managerial skills in order to become and remain competitive.

Industry

Agriculture in Kent County has, today, declined greatly from the prosperous industry of the late 19th and early 20th centuries. Although some 17 percent of the heads of households are farmers, 80 percent of these live on subsistence farms and could not be considered commercial operators. The agricultural resource remains, but today it suffers from neglect.

Fishing has also deteriorated in the County and is heavily subsidized by the government. The picture is not very much brighter in other industries and service enterprises. In total, the manufacturing sector in Kent employs only 300 workers earning the lowest wages in the province. Predictably, the service sector, largely employed by some division of government, is the dominant economic entity, accounting for almost one-half the total number of enterprises.

Unemployment statistics for the County are similar to those in other rural areas. On a yearly average, it is 40 to 50 percent higher than for the province as a whole with a high seasonal component. Family allowances, old-age pensions, unemployment insurance benefits and welfare payments account for about one-fifth of all income in Kent County.

The History of Agriculture in Kent County

Kent County is different today from the prosperous days of its past. A large amount of cleared and improved farmland has been lost since the peak year of 1911. The residents of Kent County today, as in so many other rural areas of Canada, remember well the better times of the past. They can remember when the county had a strong economic base in agriculture, forestry and fishing. But times have changed.

Essentially, there have been four main periods in the agricultural history of Kent County. The period up to 1861 can be termed the pioneer period; from 1861 to 1911 agricultural lands continued to expand. From 1911 to 1941, the less productive land was retired from agriculture, resulting in a significant loss of total agricultural acreage and subsistence agriculture became more common. Since 1941, there has been a large scale abandonment of agricultural land. Since 1911, Kent has lost 259,000 acres of total farmland, the bulk of this loss occurring in the two decades between 1951 and 1971.

The problems facing Kent County are the problems facing rural Canada. The new age has come with its industrialization and commercialization. Large urban areas have developed by accident and design. This process has required large amounts of capital and human resources, leaving little for the development of Kent and similar counties across Canada.

One observer has summarized the decline in agriculture by stating that "farmland abandonment is taking place because the traditional mixed livestock economy, as practiced in the area, has not provided satisfying farm incomes". As a result, more and more farmers in the county have found it necessary and desirable to take on alternative employment in other occupations in order to maintain an acceptable living standard. This practice, while wholly understandable, has inevitably accelerated the abandonment of the agricultural enterprise. As a result, few farms in Kent County today are being operated on a full-time basis; small-scale, part-time, and residential farms have thus become the rule rather than the exception.

The Future

Clearly, the problems facing agriculture in Kent County are similar to those facing many parts of rural Canada. Such areas as Kent County with their oncestrong economic base in agriculture, forestry and fishing have made tremendous contributions to the development of our country, Canada. But has this contribution ended? The Standing Senate Committee on Agriculture feels this is not so. Canada needs a prosperous, healthy rural environment if we are to continue to enjoy the benefits of this society. With an enlightened approach, Kent County and the many rural areas like it can once again become a healty part of the Canadian economic base.

It is with this belief that this committee has studied the future of Kent County and has determined that YES, Kent County Can be Saved.

Chapter II

WHAT CAN KENT COUNTY GROW?

An evaluation of the agricultural potential of any area must focus on the two essential physical parameters, soil and climate. If both are found to be adequate in terms of specific crops, then a fair estimation of the production potential can be made. This chapter takes a close look at the soil and climatic resources of Kent County to see which crops can be grow in the region. Information gathered is encouraging from an agricultural standpoint since the area shows a good growing season, a good climate and plenty of arable land.

Soil Resource

The total area of Kent County is 1,114,643.2 acres. Of this total, 30.5 percent is class 3 land and 41.4 percent is class 4. Both soil classes are regarded as suitable for a range of crops and, although they have certain limitations which restrict the range, can be made above average to highly productive under modern cultivation and management practices. There are no class 1 or 2 soils in the County.

In 1971, Kent County was found to have approximately 86,000 acres of total farmland, including in that figure about 33,000 acres of improved land. It is however only a small fraction of the total potential farmland. Kent County has more than 800,000 acres of potential arable land that could, if cleared and properly managed, support a variety of crops. In addition, there are almost 90,000 acres of marginal (class 5) land which are quite suitable for the production of perennial forage and for certain special crops such as blueberries which thrive on lower class soils. Thus, the 86,000 acres of total farmland recorded in 1971 represent less than 11 percent of the total potential arable land available.

Three important factors must be noted in this analysis, however. The first is that much of the potential arable land remains under forest cover and is not easily converted to cropland. Second, with the rate and scale of farm abandonment recorded in the past several decades, much of the formerly cleared land area is being lost again to bush and forest growth.

The final point has already been mentioned. Class 3 and 4 soils have good potential for agriculture, but such soils are beset by various difficulties. The most common problems are associated with the geological history of the region. Of the total acreage, about 85 percent of the soils are classed as podzols. Such soils are typically low in fertility and acid in nature. This does not, by any means, exclude them from agriculture. With suitable fertilization and application of lime they can, and have been, made very productive.

Some common problems with Kent County soils include a soil structure often characterized by low water-holding capacity which can result in drought conditions when rainfall is below normal level; and excess water, often due to poor drainage conditions in the sub-soil or to moderately undulating lowland plain characteristics. However, with modern cultivation and irrigation methods, these problems can be overcome and productive soils for agriculture can be created and maintained.

Kent County possesses two extensive specific soil groups which are especially valuable in agriculture. The first consists of organic soil, or peat bogs (soil class 0), principally located in the northwestern interior part of the County and also in the northeastern region. In total, these amount to some 78,000 acres. With proper drainage and suitable fertilization these soils provide an excellent medium for high-value vegetable crops, especially onions and carrots. The peat soil is easy to work and, since it is dark, it efficiently retains heat during the summer.

Along the Northumberland Strait, especially, there are significant acreages of well-drained sandy loam soils. If properly managed, these soils can produce a variety of high-value crops, particularly tobacco. As will be seen later in this chapter, this region is also favoured by a climate for agriculture that is equal to the best in Atlantic Canada.

In conclusion, it can be stated emphatically that Kent County possesses soil resources, actual and potential, that are very suitable for agriculture. These soils do have certain restrictions, but these are of a nature that can be readily overcome by a combination of determined work and modern agricultural technology.

The Climate for Agriculture

The climate of Kent County is a modified continental type, typical of the Maritime area in general. The climate is primarily determined by the general easterly movement of air masses from the interior of Canada modified by frequent influxes of moist Atlantic air. This latter influence is particularly noticeable near the coast. The influence of the ocean air tends to produce welcome mild spells in the winter and cool, foggy periods in the summer. However, the Northumberland Strait area of Kent County is exceptional, having only ten foggy days a year on average.

Precipitation in Kent County is typical of the Maritime area and is favourable for a range of crops.

Temperature

Both coastal and interior regions of Kent County have 2,700 degree days¹, only marginally lower than the 2,750 degree days for Prince Edward Island. In respect of heat measured on this scale, Kent has as favourable a climate as any other area of the Maritime region.

Another useful measure of the climate for agriculture is the length of the growing season, measured as the average number of frost-free days. In coastal Kent, the last frost of Spring occurs, on average, around May 31 and around June 5 in the

¹⁾ Degree days are calculated by combining the growing period in days with mean temperatures above 42°F.

interior. The first frost in the Fall occurs, on average, around September 25 on the coast and a week to ten days earlier as one moves into the interior of the county. Thus calculated, the growing season in Kent County averages 130 days for a narrow strip on the Northumberland Strait, 120 days for the eastern two-fifths of the County, and 110 days for the interior. This growing season is quite suitable for a range of crops. Coastal Kent is particularly favourable, approximating the conditions found on Prince Edward Island and in the Annapolis Valley of Nova Scotia.

It is also important to consider the soil temperatures found in a potential agricultural area. Measurements made at Rexton and at Moncton clearly indicate that soil temperatures in the County are quite suitable for the germination of seeds of most crop plants. The minimum temperature requirement for crops is around 40°F. By May, Kent's soil temperatures are in the high 40's on average, placing no restrictions on crop production in Kent, as measured by this parameter.

Precipitation

The average May to September rainfall is a useful statistic as a measure of moisture in the main part of the growing season of an area. Within the context of the Maritime area, the recorded rainfall in Kent is typical, with the exception of the interior of the County. At an average of 17 inches, this latter area has more precipitation than many areas of the Maritimes. This can, and does, cause problems of wet soil conditions, especially in the Spring and Fall during planting and harvest, although proper drainage may somewhat alleviate the problem. Elsewhere in the County, the amount of precipitation during the growing season places no restrictions on crop production.

To summarize the information on the climate of Kent County in agricultural terms, the region can be seen as divided into two unequal zones. About one-third of the County, embracing the coast and a wide strip of land to the west, is classified in the same category as all of Prince Edward Island and the Annapolis Valley around Kentville, Nova Scotia. Clearly this is a very good climatic area for the production of crops, the more so considering the available acreages of sandy loam soils in the coastal region. The interior two-thirds of the County are, however, less well-favoured for agriculture but are by no means unproductive. In this region, the major problem is surplus moisture, a common diffiltulty throughout much of the Maritime area with the exception of Prince Edward Island, the coastal area along the Northumberland Strait, the Annapolis Valley, and part of the Saint John Valley above and below Fredericton.

Crop Production Possibilities

A careful consideration of Kent County's soil types and various climatic characteristics and of the requirements of many crop species leads to the conclusion that the region can profitably grow an impressive variety of field crops, fruits and vegetables.

Among the field crops suitable for the county are wheat, oats, barley, rye, mixed grains, buckwheat, field peas and beans, tame hay and other fodder crops, potatoes, tobacco, and sugar beets. Indeed, in past years when Kent County was a thriving agricultural area, most of these crops were grown there successfully.

The list of suitable vegetable crops is just as impressive. It includes asparagus, beans, beets, broccoli, cabbage, carrots, celery, cucumbers, green peas, lettuce, onions, sweet corn, tomatoes and turnips. Again, the scientifically evaluated potential of Kent County merely reflects the recorded agricultural history of the region: virtually all of these crops have been successfully grown in Kent within the last 25 years.

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Small fruits such as strawberries, cranberries, raspberries and blueberries have been successfully grown in Kent County as have apples, pears, plums and prunes, peaches, and cherries. The major limitation for tree fruits would be low winter temperatures. Therefore, tree fruits would be largely restricted to the warmer coastal part of the county. While on the subject of trees, it can also be noted that maple syrup and maple sugar have also been successfully produced in Kent County, and the land and climate resources are present to support an increased production of this crop also.

Kent County 1951 Revisited

The potential future of agricultural production in Kent County is limited only by the availability of sufficient land and capital to realize the present possibilities. However, what is technically feasible is not always practical. In talking of immediate potential in Kent County, we can be realistic if one only wishes to re-establish some of what already was. Since most of the practical restrictions on reclaiming agricultural land in Kent have to do with much of its return to the natural state under forest, many of these restrictions can be overcome by initially attempting to reclaim land which has not completely returned to forest. In this respect, a renewal of the 1951 land use and agricultural situation is optimistic but also realistic. In 1951, there were some 91,000 acres under cultivation of which some 62,000 were under crops. In 1971, these figures had dropped to 33,000 and 18,000 respectively. It is suggested that there exist in Kent County some 44,000 acres of good agricultural land readily reclaimable for agriculture and food production. Under modern production and management techniques it is expected that above average to highly productive yields could be obtained.

Conclusion

From this study of the physical characteristics of Kent County, it is evident that there are few major limitations on the agricultural potential of the region. Comparing crop requirements with the agronometric factors, one finds that a wide variety of crops can be grown in the County and, indeed, have been produced there in past years. That production has fallen off in the last quarter century is evident but it is equally evident that the potential to increase agricultural production in Kent County is there for the modern farmer using modern agricultural and management techniques. Kent County can once again be made into a productive farming region.

Chapter III

WHERE ARE THE MARKETS?

The New Brunswick market is formed by 675,000 people who spent over 490 million dollars on food products in 1975. The five eastern counties of Kent, Albert, Westmoreland, Northumberland and Gloucester have 42 percent of these consumers whose share of the provincial market in food products amounted to over 200 million dollars. For Kent County, the immediate market opportunity is associated with the fact that all of New Brunswick is, on balance, an importer of most agricultural food products. This situation signifies an existing market within their own region and province. In addition, the farmers of Kent County have potential markets extending to other parts of the Atlantic Provinces and Quebec. There is also a growing market among tourists travelling the highways of eastern New Brunswick and coming to Kouchibouguac National Park within the borders of Kent County. The exploitation of these markets can open up new frontiers for agricultural production and provide new outlets for the sale of farm products. In this way, marketing and farm production are interdependent in the process of agricultural development. Consequently, the development of successful ways of marketing farm products is of great importance to the farmers of Kent County and those associated with their efforts, because of the contribution which that can make to a more profitable farming.

The Market for Food in New Brunswick and Eastern New Brunswick

Value of Food Sold:

The five counties on the eastern seaboard of New Brunswick comprised an estimated total food market of 201 million dollars in 1975. County shares of this total were as follows: Gloucester, \$48 million; Northumberland, \$35 million; Westmoreland, \$90 million; Albert, \$19 million; and Kent, \$13 million. In this total amount for Kent County, the sales of several commodities of greatest interest to area farmers were estimated to be as follows: meat and poultry, \$3.3 million which included \$1.3 million for beef, \$0.9 million for pork and \$0.6 million for poultry; dairy products, \$1.9 million; fruits and vegetables, \$1.8 million which included \$0.6 million for fresh vegetables and \$0.5 million for fresh fruits; fish, \$0.3 million; and eggs, \$0.4 million. Beef sales made up 40 percent of the total for the meat and poultry commodity group which ranked in first place for sales volume. Sales of fresh vegetables represented about 35 percent of the total for all fruits and vegetables which ranked in third place after dairy products. When the sales of each of these several commodities in the five counties are totalled, the following substantial

amounts are obtained: meat and poultry, \$52.2 million which included \$20.9 million for beef, \$14.8 million for pork and \$9.3 million for poultry; dairy products, \$29.4 million; fruits and vegetables, \$28.5 million which included \$9.9 million for fresh vegetables and \$7.9 million for fresh fruits; fish, \$5.2 million; and eggs, \$6.8 million.

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For the entire province of New Brunswick, an estimated \$491 million was spent on food in 1975, of which approximately 90 percent was purchased for consumption at home. These sales were distributed among the main farm products as follows: meat and poultry, \$127.5 million which included \$51.1 million for beef, \$36.1 million for pork and \$22.8 million for poultry; dairy products, \$71.8 million; fruits and vegetables, \$69.7 million which included \$24.1 million for fresh vegetables and \$19.2 million for fresh fruits; and eggs, \$16.7 million. These estimates show that there is a substantial market for farm products in the five eastern counties and in the province.

Quantity of Food Sold:

The five counties of eastern New Brunswick comprise a significant market for food products in terms of the quantity of food consumed by the resident population of the region. In 1975, meat and poultry were consumed in the following quantities: beef, 26.2 million pounds; pork, 16.5 million pounds; veal, 0.8 million pounds; lamb, 1.1 million pounds; chicken, 10.3 million pounds; and turkey, 2.8 million pounds. The quantity of eggs sold was 5.5 million dozen. About 228 million pounds of milk and dairy products (in terms of milk) were sold and consumed. The quantity of fruits consumed in various forms (fresh, canned, frozen, etc.) was 58.2 million pounds which included about 32 million pounds of fresh fruits. Consumption of apples in all forms amounted to 10.5 million pounds, while 6.6 million were fresh. For all forms of vegetables, excluding tomatoes and potatoes, the amount consumed was 33 million pounds which included about 22 million pounds of fresh vegetables. In addition, 19 million pounds of tomatoes (3.4 million fresh) and 45 million pounds of potatoes were consumed.

Kent County had a substantial share in the eastern New Brunswick market. The quantities of meat and poultry consumed in the county were represented by 2.4 million pounds of beef, 1.5 million pounds of pork, 104 thousand pounds of lamb, 78 thousand pounds of veal, 936 thousand pounds of chicken and 260 thousand pounds of turkey. About 503 thousand dozen eggs were sold. The total consumption of milk and dairy products amounted to about 21 million pounds in terms of milk. All forms of fruits totalled 5.3 million pounds of which 2.9 million pounds were fresh fruits. Sales of apples were 606 thousand pounds. Consumption of all forms of vegetables, excluding tomatoes and potatoes, totalled 3 million pounds of which two-thirds were fresh vegetables. The quantities of tomatoes sold were 1.7 million pounds, and of potatoes, 4.1 million pounds. Consideration of the volume of food consumption in Kent County and eastern New Brunswick identifies this region as an important food market for the producer and businessman.

CONSUMPTION OF FOOD BY RESIDENTS OF NEW BRUNSWICK, EASTERN NEW BRUNSWICK AND KENT COUNTY, 1975

	NEW Brunswick	EASTERN NEW Brunswick	KENT COUNTY
	(000 lbs)	(000 lbs)	(000 lbs)
Dairy Products (in terms of milk)	538,650	227,669	20,748
Eggs ⁽¹⁾	19,575	8,274	754
Beef	62,100	26,248	2,392
Pork	39,150	16,547	1,508
Veal	2,025	856	78
Lamb	2,700	1,141	104
Chicken	24,300	10,271	936
Turkey	6,750	2,853	260
Fruits (total)	137,700	58,201	5,304
Fresh Fruits	75,600	31,954	2,912
Apples	15,741	6,653	606
Vegetables (total) ⁽²⁾	78,300	33,095	3,016
Fresh Vegetables ⁽²⁾	51,300	21,683	1,976
Potatoes	106,650	45,077	4,108
Tomatoes	8,100	3,424	312

⁽¹⁾ Eggs, in thousand dozens: New Brunswick, 13,050; Eastern New Brunswick, 5,516; Kent County, 503.

In 1975, consumers throughout New Brunswick purchased 62 million pounds of beef, 39 million pounds of pork, 2.7 million pounds of lamb and 2 million pounds of veal. In addition, they consumed over 24 million pounds of chicken and 6.7 million pounds of turkey. Some 13 million dozen eggs were consumed by residents of the province. Dairy products and milk amounted to 539 million pounds. The consumption of fruits totalled 138 million pounds of which 75.6 million pounds were fresh fruits. That total amount for fruits also included 24.8 million pounds of apples of which 15.7 million were fresh. Consumers of the province purchased over 78 million pounds of vegetables including 51.3 million pounds of fresh vegetables. In addition, the quantities of tomatoes and potatoes sold were 45.2 million pounds (8 million fresh) and 106.6 million pounds respectively. This volume of demand for all of these commodities offers a very substantial market to the food entrepreneur.

Tourist Food Market

A large increase in the number of tourists to Kent County and eastern New Brunswick is expected to occur as a result of the establishment of Kouchibouguac

⁽²⁾ Excludes potatoes and tomatoes.

National Park. A recent study of tourism in Kent County, by Gauthier, Poulin, Thériault et Associés, estimated that tourist expenditures in the county will be about 6.62 million dollars in 1976 and will rise likely to 18.45 million dollars in 1984. It was also estimated that some 21 percent of that amount would be spent on food in restaurants and another 11 percent on food in retail stores. In 1976 in Kent County alone, it is expected that tourists will spend some 1.4 million dollars in restaurants and about three-quarters of a million dollars in retail food stores. When these sales are distributed among various food products, it is estimated that about 610 thousand dollars will be spent on meat and poultry, 343 thousand dollars on dairy products, 80 thousand dollars on eggs, 61 thousand dollars on fish, and some 333 thousand dollars on fruits and vegetables. In addition to regular expenditures by residents, the tourists coming to Kent County in 1976 will spend about 2.1 million dollars on food and, in 1984, probably 5.9 million dollars. That volume of tourist food expenditure in 1976 represents an additional market for food of about 17 percent of the local market.

In terms of quantity of food, present tourist market sales would represent an increase beyond resident food consumption of 395 thousand pounds of beef, 249 thousand pounds of pork, 154 thousand pounds of chicken and 3.4 million pounds of milk. Sales of eggs would increase by some 82 thousand dozen. The quantity of fish sold would be an additional 60 thousand pounds. There would also be increased sales of fruits and vegetables: apples up by 100 thousand pounds; blueberries up by 2 thousand pounds; strawberries up by 8 thousand pounds; potatoes by 678 thousand pounds; tomatoes by 51 thousand pounds; corn by 28 thousand pounds and lettuce by 69 thousand pounds. Consequently, the tourist trade should be a stimuli for increased agricultural production in Kent County.

Self-Sufficiency in Food Products

There are very few food products produced in the province in which New Brunswick is self-sufficient to the point of supplying the total annual food requirements of its population. Only potatoes, blueberries and strawberries are produced in such quantities to supply both provincial food consumption needs and exports. For many other products, the deficit between total food requirement and the quantity produced shows that farm production in the province is far from supplying the annual food needs of the population.

The largest deficits are in meats and vegetables. In beef, current production is about 28 percent of the quantity consumed annually by the population, which leaves a deficit of some 45 million pounds in New Brunswick, or some 19 million pounds in eastern New Brunswick, to be supplied from sources outside of the province. The deficit in pork is about 27 million pounds for the entire province or some 11 million pounds in eastern New Brunswick. Production of lamb is only 20 percent of the annual quantity consumed which leaves a deficit of about 2 million pounds in the province or 913 thousand pounds in eastern New Brunswick. Throughout the province, deficits also exist for veal, chicken and turkey.

Although accurate production statistics are not available for all vegetables, it is generally recognized that for those vegetables on which figures are available, as well as for many other vegetables, a substantial deficit position exists. In terms of

quantities of fresh produce, some of the largest deficits in the province in 1975, occured in the following commodities: tomatoes, 7 million pounds; corn, 3 million pounds; lettuce, 10 million pounds; onions, 7 million pounds; celery, 5 million pounds; and peas, 2 million pounds. There were also deficits in apples and raspberries of about 2 million pounds and 259 thousand pounds respectively. In New Brunswick, the seasonality of crop production in fruits and vegetables, together with the length of the storage life of the commodity, may limit the market period to some duration less than a year. For such commodities, production within the province will be concentrated upon a correspondingly smaller portion of the annual deficit. This situation will be considered in some detail in a following section of this chapter. In general, the deficits which exist in food production in New Brunswick should provide opportunities to enterprising entrepreneurs.

Meat and Feed Grain

It has been noted already that, with substantial meat deficits, New Brunswick is a net importer of meat products totalling about 75 million pounds a year of beef, pork, lamb and veal. In eastern New Brunswick, the corresponding imports are 31 million pounds. The present livestock numbers in the province are not nearly high enough to attempt a solution to this deficit in the foreseeable future. Historically, the shortage of high protein feed grains in New Brunswick has prevented the development of livestock production to the extent which would make a greater contribution to self-sufficiency in meat.

In 1974, the total feed grain requirements of the livestock herd in New Brunswick, including poultry, were some 243 million pounds. In the five eastern counties, feed grain requirements totalled 93 million pounds. Under the federal Feed Freight Assistance Program, New Brunswick imported some 222 million pounds of feed grain from Western Canada, during the 1972-73 crop year. The total expenditures for these grains were over 1.3 million dollars. In addition, about 285 thousand pounds of corn were imported from the United States. If New Brunswick is to move toward greater or even total self-sufficiency in meat, the result will be dependent to a large extent upon its ability to produce additional feed grain and forage. Full self-sufficiency in meats, poultry and eggs would require at the present time an additional annual availability of some 384 to 386 million pounds of feed grain. If this amount were added to current imports, then the potential import requirement for feed grain would be about 606-608 million pounds. In order to eliminate the current meat deficit in eastern New Brunswick and achieve self-sufficiency in meat production, an additional 163-164 million pounds of feed grain would be needed. This amount could raise the potential import requirement for the region to about 256 million pounds of feed grain.

In 1971, Kent County had over 4,000 acres in such feed grains as wheat, oats, barley, mixed grain and buckwheat, and an additional 12,000 acres in hay. Historically, during the period 1931-1971, Kent County has had over 29,000 acres in the same feed grains and some 46,000 acres of hay. If 1951 is taken as a base year, the total area under crops was 44,000 acres above the 1971 acreage. There was also an additional 13,000 acres of improved pasture which could be returned to the

production of grain and forage. After careful analysis of the physical attributes of the area, it is suggested that, under modern farming and management practices, an additional 24,000 acres of feed grains and 10,000 acres of hay and forage could be produced on this extended acreage. It is further suggested, based on feed requirements and production capability, that some 12,000 acres be planted in oats, 7,200 acres in barley, 3,000 acres in mixed grain and 1,800 acres in wheat. This would result in additional annual quantities of approximately 44 million pounds of feed grain and 37 million pounds of hay. In feed grain alone, this projected increase of production in Kent County would supply some 20 percent of the current import requirement of New Brunswick or about 48 percent of the feed grain imported into eastern New Brunswick. Furthermore, it would be a start to help the province and the eastern counties on the way toward a realistic level of self-sufficiency in feed grain. For the consumer in New Brunswick, the production of that additional amount of feed grain in Kent County would allow an increase in domestically produced meat of some 5.3 million pounds of beef or 6.7 million pounds of pork or a combination of both of these plus poultry products. One possible combination might include 3.4 million pounds of beef, 2.0 million pounds of pork and 5.5 million pounds of chicken.

Market Period Deficits in Fresh Fruits and Vegetables

Although New Brunswick and eastern New Brunswick are in a deficit position for certain products, it is physically impractical due to the nature of these products to attempt to fill the annual deficit at this time. This applies particularly to fruits and vegetables, since the production season is limited to the summer months and the storage period of these commodities varies from a few days to as much as 10 months. Accordingly, under conventional production systems, the province can expect at best to fill the deficit existing during the "New Brunswick market period". The proportion of the annual requirement consumed during the market period varies from 10 percent for tomatoes to 85 percent for turnips and, in fruits, from 75 percent for apples to 100 percent for raspberries.

Consumption during Market Period

In New Brunswick, some 10 million pounds of corn, 5.6 million pounds of carrots, 3.8 million pounds of lettuce, 3.1 million pounds of onions, 2.2 million pounds of beans, 1.5 million pounds of tomatoes, and possibly some 950 thousands pounds of peas are consumed in the market period as listed in the previous table. The figures for beans, corn, peas and tomatoes are listed in the table as a range from possible minimum to maximum quantities. The lower quantity which estimates the consumption of only the fresh vegetable may be smaller than is actually the case due to limited local availability of the fresh product. Accordingly, since the consumer would likely use the canned and/or frozen product under those circumstances, the consumption of those forms were added to the fresh product to give the upper possible range of consumption for the fresh form of the vegetable if it was available. Although the maximum quantities were quoted above for beans, corn, peas and tomatoes, the actual consumption of the fresh form of these vegetables would likely be somewhere between the m inimum and maximum quantities listed. Consumption of fresh fruits was estimated to be about 11.8 million pounds of apples, 1.0 million pounds of strawberries and 297 thousand pounds of raspberries.

FRESH FRUITS AND VEGETABLES CONSUMED DURING LOCAL MARKET PERIOD, NEW BRUNSWICK, 1975.

	Total Consumed	Total Pro- duced	Deficit	Acres Required to Fill Deficit
Vegetables	(000 lbs)	(000 lbs)	(000 lbs)	
Asparagus	122		122	45
Beans	*605-2,249	. 96	509-1,740	*212-725
Beets	155	372	surplus	212-125
Broccoli	556		556	110
Brussel Sprouts	110		110	12
Cabbage	5,453	5,523	balance	
Carrots	5,656	2,898	2,758	200
Cauliflower	988	873	115	12
Celery	3,038		3,038	79
Corn	*1,995-10,257	1,260	735-8,997	*263-3,213
Cucumber	515	624	balance	
Lettuce	3,811	225	3,586	797
Onions	3,181	-	3,181	177
Parsnips	94	630	surplus	
Peas	8-952	_	8-952	*4-476
Potatoes	79,988	995,200	surplus	
Radish	331		331	37
Spinach	219		219	35
Tomatoes	*810-1,553	774	36-779	4-91
Turnips	2,771	4,800	surplus	
Fruits				
Apples	11,806	13,440	balance	_
Blueberries	274	3,836	surplus	
Raspberries	297	38	259	86
Strawberries	1,073	1,388	surplus	

^{*}The lower figure represents present fresh consumption based on shortages of supply while the higher figure estimates anticipated consumption should local fresh supplies be available.

During the market period in eastern New Brunswick, the consumption of some main vegetables, as listed in the second table, was as follows: corn, 4.3 million pounds; carrots, 2.4 million pounds; lettuce, 1.6 million pounds; onions, 1.3 million pounds; beans, 950 thousand pounds; tomatoes, 656 thousand pounds; and peas, possibly as much as 402 thousand pounds. Again, the actual quantities of fresh

beans, corn, peas and tomatoes consumed may be somewhat less than the possible maximum amounts just quoted. In this region, consumption of apples was about 4.9 million pounds, strawberries, 454 thousand pounds and raspberries, some 126 thousand pounds. These figures estimate the quantities of fresh vegetables and fruits which local production can presently attempt to fill during the market period for consumption by the resident population.

FRESH FRUITS AND VEGETABLES CONSUMED DURING LOCAL MARKET PERIOD, EASTERN NEW BRUNSWICK, 1975

	Total Con- sumed	Estimated Total Produced	Deficit	Acres Required to Fill Deficit
Vegetables	(000 lbs)	(000 lbs)	(000 lbs)	
Asparagus	52		52	19
Beans	*256-951	17	239-934	*100-389
Beets	65	93	surplus	_
Broccoli	235	_	235	46
Brussel Sprouts	46		46	5
Cabbage	2,305	842	1,463	55
Carrots	2,391	731	1,660	120
Cauliflower	418	_	418	43
Celery	1,284		1,284	33
Corn	*843-4,335	165	678-4,170	*242-1,489
Cucumber	218	55	163	21
Lettuce	1,611	81	1,530	340
Onions	1,344	144	1,200	67
Parsnips	40		40	4
Peas	*3-402	6	0-396	*0-198
Potatoes	33,808	23,000	10,808	587
Radish	140	—	140	15
Spinach	92		92	14
Tomatoes	*342-656	103	239-553	*28-64
Turnips	1,172	580	592	59
Fruits				
Apples	4,990	1,887	3,103	185
Blueberries	_		surplus	
Raspberries	126	4	122	40
Strawberries	454	321	133	16

^{*}The lower figure represents present fresh consumption based on shortages of supply while the higher figure estimates anticipated consumption should local fresh supplies be available.

In Kent County, market period consumption of corn was estimated to be between 77,000 and 395,000 pounds, in the range of 23,000 to 87,000 pounds of beans, and 300 to 37,000 pounds of peas. Consumption of some other main vegetables was 218,000 pounds of carrots, 147,000 pounds of lettuce and 122 thousand pounds of onions. By comparison, the larger market available in the eastern counties and in the province offers much more scope to enterprising producers.

Production Deficits and Acreage Potential

New Brunswick:

In 1975, New Brunswick recorded production of beans, beets, cabbage, carrots, cauliflower, corn, cucumber, lettuce, parsnips, potatoes, tomatoes and turnips as given in the preceding table for the entire province. It is also known that substantial quantities of other vegetables such as brussels sprouts, onions and peas are grown, but production figures are not available. Undoubtedly, the accuracy of the production and consumption figures of fruits and vegetables is important in estimating deficits in production. The market channel for the product is also important. A significant percentage of New Brunswick's fruit and vegetable production is on contract with processors and is not intended to reach the fresh market. Production figures on those commodities are not known. Consequently, in order not to over-estimate the deficit position of fruits and vegetables, the total New Brunswick recorded production was taken as going to the fresh market. Although the quantity of such production going to that market is likely somewhat less than the total recorded amount, the assumption used here tends to reduce the estimated deficit.

The province is in a deficit position for most vegetables. There is a deficit of up to 9 million pounds of corn, up to 1.7 million pounds of beans, and up to 952 thousand pounds of peas and 779 thousand pounds of tomatoes. The estimated deficits for some other vegetables are listed in the preceding table for New Brunswick as follows: carrots, 2.7 million pounds; lettuce, 3.5 million pounds; celery, 3.0 million pounds; and onions, 3.1 million pounds. In 1975, the production of cabbage, cucumber and apples appeared to be in balance with consumption requirements for the province. A deficit of 259 thousand pounds was estimated for raspberries.

Eastern New Brunswick:

In eastern New Brunswick, a similar deficit position exists for many vegetables and some fruits. Since actual recorded production figures were not available for the five counties of this region, the total production was estimated from known provincial yields for each commodity in 1975 and an estimate of their likely acreages from the 1971 Census of Agriculture. Accordingly, deficits listed in the second preceding table for eastern New Brunswick were as follows: corn, up to 4.1 million pounds; carrots, 1.6 million pounds; lettuce, 1.5 million pounds; onions, 1.2 million pounds; celery, 1.2 million pounds; beans, up to 934 thousand pounds; tomatoes, up to 553 thousand pounds; and peas, possibly as much as 396 thousand pounds. It might be

noted for potatoes that, although the province produces a large surplus of this crop relative to consumption needs, the eastern New Brunswick region does not produce all of its own requirements as indicated by a possible deficit of 10.8 million pounds. Several other vegetables listed in the table had deficits within the region. For a few of these vegetables, notably parsnips, turnips, cabbage and cucumber, total provincial production was presently in a surplus or balance position relative to market period consumption. In fruits, there were deficits of 3.1 million pounds of apples, 133 thousand pounds of strawberries, and 122 thousand pounds of raspberries. Although the production of apples and strawberries for the entire province was somewhat in excess of market period consumption, that situation in these fruits and also in certain vegetables may not affect the regional deficit if much of the extra production of these crops is sold in other markets than eastern New Brunswick.

Acreage Potentials:

When these production deficits are converted into additional acreage requirements, a local additional production need is indicated for nearly 4,000 acres of vegetables and 86 acres of fruits in the province. Corn leads in acreage requirements with about 1,738 acres at the mid-point of the market deficit range, lettuce at 797 acres, beans at 468 acres and peas at 240 acres in the middle of the market deficit range. The fruit deficit was for 86 acres of raspberries. Within only the five eastern counties, the corresponding additional acreage requirements are about 2,680 acres of vegetables and 240 acres of fruits. Again, corn tops the acreage requirements with 865 acres midway in its market deficit range, lettuce at 340 acres, beans at 244 acres, carrots at 120 acres, and peas at 99 acres. The regional market period deficit in fruits would be filled by 185 acres of apples, 40 acres of raspberries and 16 acres of strawberries. It is clear from these figure that local production of fruits and vegetables has considerable scope for expansion to meet market period requirements in New Brunswick and eastern New Brunswick.

Market Opportunities for Kent County

It may be reasonable to suggest that agricultural land use in 1951 could serve as a basis for determining Kent County's potential role in alleviating some of the provincial deficit in agricultural food products. In that year, 62,000 acres were under crops in comparison with only 18,000 acres in 1971. Over the past 25 years, much of the 44,000 acres gone out of crop production have been reverting back toward a forested state. The reclamation of these lands, in most cases, would be easier and cheaper than clearing new land. Moreover, these lands would provide additional acreage for increased production of fruits and vegetables. Land capability together with the use of modern production and management techniques enter into consideration of the potential acreage to be developed. Subsequent to such considerations, it is estimated that the reclamation of 3,000 to 5,400 acres of good fruit and vegetable land could be feasible for utilization in production mainly for the provincial market, but also including some potential markets outside the province. This acreage could be distributed over several kinds of produce, as outlined in the following table with zero to 1,500 acres in potatoes, 695-1,217 acres in corn, 200-300 acres in carrots, 177-277 acres in onions and, in addition, a selection of other vegetables and fruit. A less aggressive approach would be the reclamation of some 2,200 to 3,900 acres of fruit and vegetable land for production aimed at the eastern New Brunswick market as well as some other markets outside the province. In this development, the acreage could be distributed along the lines described in the second table for eastern New Brunswick and other markets. Accordingly, there could be 587-1,500 acres in potatoes, 346-605 acres in corn, 120-220 acres in carrots, 67-167 acres in onions, 59-159 acres in turnips, and 55-155 acres in cabbage. The remainder of the land would be divided among several other vegetables and fruits.

ESTIMATED POTENTIAL ACREAGE TO FILL NEW BRUNSWICK DEFICIT AND OTHER MARKETS—VEGETABLES AND FRUITS, KENT COUNTY.

	POTENTIAL ADDITIONAL ACRES		
Vegetables			
Asparagus	45	45	100
Beans	468	468	100
Beets	_	_	
Broccoli	110	110	100
Brussel Sprouts	12	12	100
Cabbage		125**	100+
Carrots	200	300**	100+
Cauliflower	12	12	100
Celery	79	79	100
*Corn	695	1,217	70
Cucumbers			
Lettuce	797	797	100
Onions	177	277**	100
Parsnips			
Peas	240	240	100
Potatoes	· <u> </u>	1,500**	100+
Radish	37	37	100
Spinach	35	35	100
Turnip	<u>—</u>	_	
*Tomatoes	12	24	50
Fruits			
Strawberries			
Apples		_	
Blueberries	_	<u></u>	
Raspberries	86	136**	100+

^{*} May not be suitable in all areas of Kent County

^{**} Partially for export to Nova Scotia and Quebec

ESTIMATED POTENTIAL ACREAGE TO FILL EASTERN NEW BRUNSWICK DEFICIT AND OTHER MARKETS—VEGETABLES AND FRUITS, KENT COUNTY.

	POTENTIAL AD ACRES	% OF Deficit OF E.N.B.	
Vegetables			
Asparagus	19	19	100
Beans	244	244	100
Beets			
Broccoli	46	46	100
Brussel Sprouts	5	5	100
Cabbage	55	155**	100+
Carrots	120	220**	100+
Cauliflower	43	43	100
Celery	33	33	100
*Corn	346	605	70
Cucumbers	21	21	100
Lettuce	340	340	100
Onions	67	167**	100+
Parsnips	4	4	100
Peas	99	99	100
Potatoes	587	1,500**	100+
Radish	15	15	100
Spinach	14	14	100
Turnips	59	159**	100+
*Tomatoes	12	23	50
Fruits			
Strawberries	16	16	100
Apples	46	93	50
Blueberries	_	_	
Raspberries	40	90**	100+

^{*} May not be suitable in all areas of Kent County

The preceding acreage suggestions are only one dispersement of available land in Kent. Many other combinations of crops and cattle are possible. What is most important is that it be recognized just how great the potential acreage increases in agriculture are and just how wide-spread the choice of commodities is.

Such reclamation of former areas of agricultural land in Kent County for the production of fruits and vegetables on 2,200-5,400 acres would almost eliminate the

^{**} Partially for export to Nova Scotia and Quebec

eastern New Brunswick deficit or, in the upper end of that acreage, the provincial deficit in all major fruits and vegetables except tomatoes and sweet corn. It is also suggested that production for export to Quebec and Nova Scotia could be undertaken in cabbage, carrots, onions, potatoes, turnips and raspberries. This development would alleviate New Brunswick's dependence upon other areas for fresh fruits and vegetables and curtail the outward flow of expenditures for agricultural products. The proposed exports would also provide some additional income and employment to New Brunswick.

Extended Markets

Atlantic Provinces:

In 1975, the Atlantic Provinces were self-sufficient in only fresh milk, eggs, potatoes, strawberries and apples. With a population of more than 2 million people, the total food expenditure in 1975 was over 1.5 billion dollars of which much was spent on imported food. For example, the volume of those imports may be illustrated by the following deficits in meats: beef, 114 million pounds; pork 54 million pounds; chicken, 22 million pounds; lamb, 6 million pounds; and turkey, 5 million pounds. Self-sufficiency in vegetables is low as indicated by some of the 1975 deficits: tomatoes, 137 million pounds; lettuce, 31 million pounds; corn, 31 million pounds; and carrots, 12 million pounds. The provinces of Nova Scotia, Prince Edward Island and Newfoundland are open markets for producers of those products in deficit. Kent County's location gives it a definite marketing advantage over imports during the production season.

The Gaspé Peninsula:

The Gaspé Peninsula comprised a market for food in 1975, of almost 200 million dollars. It is self-sufficient in very few commodities. Turnips, veal and lamb are the only food exports. There is a deficit for fresh milk of 27 million pounds. The deficit in eggs runs to 5 million pounds. Some meats are also in a deficit position: beef, about 24 million pounds; pork, 15 million pounds; chicken, 8 million pounds; and turkey, 3 million pounds. The largest deficits in vegetables are as follows: tomatoes, about 21 million pounds; potatoes, 10 million pounds; corn, 6 million pounds; and lettuce, 4 million pounds. In fruit, there is an annual deficit of some 918 thousand pounds of strawberries and 10 million pounds of apples. The location of Kent County, the similarity of culture and language and the food need of the area itself, combine to make the Gaspé Peninsula a ready market for agricultural food products produced in Kent and an entrée into the Quebec market.

Quebec:

In 1975, expenditure on food in Quebec was almost 5 billion dollars. Much of that expenditure was on food imported from other provinces and abroad. The province is self-sufficient in only fresh milk, chicken and carrots. Beef is in a serious deficit position with annual imports of some 440 million pounds. There are also substantial deficits in other meats: pork, 64 million pounds; turkey, 26 million pounds; and lamb, 21 million pounds. The extent of self-sufficiency in vegetables varies, but the greatest deficits are in the following crops: tomatoes, 242 million pounds; potatoes, 504 million pounds; corn, 88 million pounds; and lettuce, 62 million pounds. Strawberries are in a deficit position of over 15 million pounds.

Quebec is a growing market with large deficits in agricultural food products indicative of market opportunities for New Brunswick producers.

FOOD DEFICITS IN THE EXTENDED MARKETS FOR KENT COUNTY OF THE ATLANTIC PROVINCES, QUEBEC AND GASPE PENINSULA, 1975

	Atlantic Provinces	Quebec	Gaspe Peninsula
	(000 lbs)	(000lbs)	(000 lbs)
Fresh Milk Eggs ⁽¹⁾ Beef Pork Veal Lamb Chicken	Surplus Surplus 113,870 54,460 3,201 6,231 21,510	Surplus 62,260 440,176 64,039 6,441 20,856 Surplus	27,181 5,394 23,672 15,283 — 8,482
Turkey Vegetables	4,908	26,376	2,914
	11.500		
Carrots Corn Lettuce Potatoes Tomatoes	11,502 30,697 31,667 Surplus 137,402	Surplus 88,235 62,333 503,969 242,730	6,030 4,200 9,796 20,688
Fruits			
Apples Strawberries	Surplus Surplus	677 15,603	10,039 918

⁽¹⁾ Eggs, in thousand dozen: Quebec, 41,507; Gaspé Peninsula, 3,596.

Economic Impact of the Agricultural Development of Kent County

It is possible that reclamation of the land back to 1951, with the development of feed grains, forages and horticultural crops, could provide a base for the production of some 9.2 million dollars of meat at retail price or some 5.3 thousand head of cattle, 21 thousand hogs and 1.8 million chickens. In addition, the production of fruits and vegetables valued at about 10.4 million dollars is possible. Based on these suggested production potentials, additional agricultural production valued at some 12 million dollars, at the farm gate, could be developed in Kent County.

The economic impact of this production would be felt both within the region and throughout the province. Within Kent County itself, the proposed production would generate almost 22 million dollars of income. Across the province, that income

would be over 47 million dollars. Initially, it is anticipated that most of the 22 million dollars will remain in Kent, while the additional 25 million dollars would be generated outside of Kent. This would be due to the fact that much of the produce would be sold outside of Kent, many of the inputs would be purchased outside of Kent and there are at present no slaughter facilities within Kent. If any of these factors were to change, the dollars to stay within Kent County would change correspondingly.

The development of Kent County so as to take full advantage of the entire potential suggested in this report, could result in some 1,015 jobs in Kent County and a total of 2,680 jobs in New Brunswick and eastern New Brunswick, at an average annual salary of \$10,000, as summarized in the following table. From the wages paid to these people, about 4.8 million dollars would be returned to the local, provincial and federal governments through all sorts of taxes. The distribution of these taxes would be 2.7 million dollars to the federal government, 1.6 million dollars to the provincial government and about half a million dollars to local government.

IMPACT BY SECTOR ON EMPLOYMENT & TAXES PAID

	Economic Activity Generated	Estimated # Jobs Created at \$10,000	Estir	mated Taxes	s Paid
	(\$ M)	Annually	Local ²	Federal ¹	Provincial ¹
At Farm Level					
Cattle	5.093	153	30,600	153,000	91,800
Hogs	3.811	133	26,600	133,000	79,800
Poultry	4.813	265	53,000	265,000	159,000
Fruits & Vegetables	7.874	464.	92,962	464,000	278,886
To Retail Level					
Beef	7.850	314	62,800	314,000	188,400
Pork	5.469	246	49,200	246,000	147,600
Chicken	12.753	829	165,800	829,000	497,400
Fruits &					
Vegetables	21.887	1,291	257,400	1,291,000	772,190
TOTALS		2,680	535,200	2,680,000	1,605,590
			Tota	l Taxes Pai	d 4,820,790

¹⁻based on 1975 income taxes for a gross of \$10,000 and a taxable net after deductions of \$6,000. --provincial also includes sales tax estimated

²⁻local includes basically property tax.

Conclusions

Many economic opportunities exist for agriculture in Kent County and eastern New Brunswick. The New Brunswick market for food products was valued at almost 500 million dollars in 1975. It depends upon imported products for a large part of its supply. Excellent opportunities exist for the production of vegetables and fruits for readily available markets in New Brunswick, the Atlantic Provinces, Quebec and the Gaspé. A local need for further production of feed grain exists in order to alleviate the tremendous regional deficit in all meat products. Kent County has an excellent chance to play a major role in the grasping of these opportunities.

However, it is recognized that here are numerous outside forces that will have influence on just how realistic it will be for Kent to try and achieve these market opportunities. The most prominent of these outside forces at this time is the National Farm Product Legislation which will be discussed later in this report.

Should Kent County be successful in overcoming these forces and fully exploiting these opportunities, about 1,015 jobs could be created in the county or a total of 2,680 jobs in the province. Finally, through salaries paid to the people employed in these jobs, some 5 million dollars would be returned to all levels of governments. Consequently, both people and government would benefit from the development of agriculture in Kent County.

Chapter IV

LISTENING ...

During the past three years, this committee has heard many testimonies in both Ottawa and Moncton. The residents of Kent County and the institutions that serve them have offered their definitions of the problem, their solutions, and have established the opportunities. This section offers a sampling of what the people say, feel, and believe about the future of Kent County. As well, we listen to the thoughts of the institutions which exist to help the residents of Kent County achieve these solutions and opportunities.

...TO THE PEOPLE

The Problem

According to the best authorities, the people of Kent, the problems of the County can best be classified into three groups: human, government, and resource.

Perhaps what most upsets the people of Kent is that "there is a feeling in some places that agriculture should be written off in our area and all production moved to the areas with the so-called comparative advantage. We don't feel this is good enough in terms of people" (Dernier). In the hearts of many Kent County residents, people are being ignored and they "are somewhat impatient with the preoccupation of economists and others with the two issues of comparative advantage and allocation of resources. These people tend to completely ignore human resources and we all know it's impossible to reduce the problems of Canada to dollars and cents, and economic models" (Dernier).

However, "People for the most part in Kent have been reluctant to take hold of newer ideas and we know that initiative puts the spark of life into any area. At the same time, it is difficult to develop this initiative if the area has been in a depressed state for any length of time" (Sullivan). As a result, "there are many negative attitudes toward agriculture, especially among the students" (Léger). Much of this negativism has been brought about because "we have had hundreds of study groups and nothing practical ever has come out of them except for the creation of another study group; we can only doubt the sincerity of such a group" (Arsenault).

But many attribute the problem to "the lack of information and, especially, the lack of courses in French. This is why there should be courses offered to interested

parties in schools, institutes and universities" (Léger) and acknowledge that "it is pretty hard for farmers who have not been to school like me to go out and manage that thing properly" (Babineau).

It is the government that is looked up to as the leader for the development of Kent County. But many residents are concerned that "the government seems indifferent to this primary sector which is essential to man. How do you ensure the prosperity of the secondary and tertiary sectors without a strong primary sector?" (Léger). The cause of this deep rooted feeling appears to stem from the belief that "policies are not established by farmers for farmers, but by civil servants who are not in touch whatsoever with the rural and farming class" (Arsenault) and that these same civil servants "are more interested in staying in their offices than going out to meet farmers and to really understand their problems" (Arsenault).

This lack of government credibility extends to both the federal and provincial. Many residents feel that "the federal Department of Agriculture develops national policies without taking into consideration regional disparities, so that very often these policies do not help areas such as Kent County. The provincial Agriculture department refuses to think in terms of community development. Its decision to centralize all agronomists and veterinarians in urban centres demonstrates this fact and farmers are totally disadvantaged" (Arsenault).

Also, it is felt that "the Department of Agriculture is only a puppet in the hands of politicians and big business" (Finnigan). And what they worst regret "in all this situation is the neutrality and passivity of the Department of Agriculture" (Finnigan). This passivity and neutrality is interpreted by the people of Kent to mean "that the aim of the government is to bring about a complete disappearance of agriculture in our county" (Arsenault). This interpretation is supported by the actions of government agencies whereby "an official of the Farm Credit Corporation said, as he was refusing a loan to a farmer in this county: 'Kent County is not profitable, there is no future there,' " (Arsenault). It is this attitude among government officials that has led the local people to believe "that the governments were never serious when they talked about developing the rural areas of New Brunswick. We think both governments are most interested in seeing the people of Kent County go and work in plants or as janitors in Moncton or Saint John than in really helping them develop their community" (Arsenault). "Governments do not encourage young people to go and live on a farm" (Arsenault).

But perhaps the lack of government credibility is best exemplified by those of Kent who "wish to congratulate the government for all the new 'programs' which developed these last few years. But unfortunately, the government apparently wants to keep this information secret. Practically nobody knows about their efforts. Information about agriculture in school is as rare as money. Services available from governments, information about market possibilities...what are they?" (Léger).

This sense of frustration with their position and the inability of governments to help them is best summed up by the acknowledgement that "we have poverty, unemployment, welfare recipients, a lower education level than anywhere else, a language problem, poor municipalities, a dying agriculture and so on and so forth. Thousands of dollars have been spent to tell us that and the solutions offered are

Thousands of dollars have been spent to tell us that and the solutions offered are cultural centers, information offices and an arts and crafts center. The real problem, that is the development of our resources, has not been touched upon" (Bourgeois).

It is the development of these resources that is of great interest to the people of Kent: "Many farms in Kent require enlargement of fields, improved drainage systems, a general raising of soil fertility and lowering of soil acidity. If future farming is to be successful, these problems must be corrected, and the cost of doing them cannot be borne by the present generation alone" (Sullivan). Assistance must be forthcoming by government in Land Improvement Programs. "The Department of Agriculture extension programs should be designed to encourage viable farm units. Programs to assist in the establishment of young farmers who have the necessary qualifications, should be expanded" (Sullivan).

But the major problem still centers around attitude and credibility. A much held local feeling is that "Kent County is already the most researched area in Canada. We have the knowledge available necessary to proceed immediately; we do not need further inquiries of feasibility studies" (Sullivan).

The Opportunities

Although it may be said that Kent residents have put a lot of emphasis on the problems of their area, so too have they presented many of the opportunities which they feel face them today.

There is a general feeling of optimism among the residents of Kent when discussing the future of their land. They feel "The farms we live on can become more productive than ever before" (Leblanc) because "generally speaking, we can say that our soils and our climate are favourable for large scale crops, for cattle breeding and for the production of fodder" (Bourgeois). More specifically, "as far as our region is concerned, let us say that all the soils are not suited for the growing of, but we have many soils in which we can grow, on a commercial basis, the following vegetables: cabbage, carrots, corn on the cob, lettuce, turnips, broccoli, brussels sprouts, etc." (Bourgeois). "The St-Charles vegetable producers co-operative is also facing development and expansion. But twenty-five acres of carrots are not sufficient. They should be harvesting 100 acres to be sure to have a viable enterprise. The possibilities are there; there is no doubt about it" (Bourgeois).

On the livestock side, feelings are quite as strong as to the opportunities that exist. There is evidence to suggest that "hogs can be successful in Kent. The price of our hogs is the highest in Canada most of the time" (Sullivan). In addition, "Broilers can be grown successfully as the market expands and beef has a great potential for expansion. Land values are relatively low and the market is good" (Sullivan).

There are relatively new alternatives such as the "raising of domestic rabbits for processing. The New Foods Products Company, Ltd. was organized for that purpose with rabbit raisers being the company shareholders" (Leblanc).

Since the livestock industry is based upon feed and forage for feed, the experience of one resident explains that livestock production is profitable since "we

got into the production of silage corn and our farm is now producing approximately 75 acres of silage corn a year. It is a tremendous crop as far as our farm is concerned" (Walsh) or alternative feeds are emphasized since "we can grow grass in Kent County, we can grow all kinds of fodder" (Little).

The facts of lost opportunities came to light again as one asks "Who will take the initiative to organize orchards? Why is tobacco not developing? There are people who are interested but there is always a lack of money" (Bourgeois).

The Solutions

Problems are overcome by opportunities only when realistic solutions are offered which are not only workable but also acceptable by all parties concerned. The residents of Kent County have put forth their proposed solutions.

In the belief of local residents, "agriculture, fishing, forestry, and tourism are the industries that should be considered in order to find out what is their development potential and the best marketing organization for their products" (Bourgeois). As well, "farm enterprises should be developed that will fit into good marketing systems. Marketing knowledge must be on a broad basis, especially adapted to the selling of products on markets outside Kent" (Sullivan).

In order to take advantage of productive potentials in Kent, "The Departments of Agriculture should make studies on the regional market possibilities and give the results not only to farmers, but to the whole population" (Leblanc).

In order to achieve some of the opportunities, "the people must have the courage to locate capital to build a profitable enterprise and the educational level must be achieved so as to grasp rapidly the changing methods. There must be a desire to want to farm and work hard. Farming is a private business; not many such businesses are successful without hard work" (Sullivan).

But "farmers need human, technical and financial resources that will help them and which, through a consultation and animation process will succeed in reorganizing agriculture and small farms in Kent County" (Arsenault).

To make available these services, "the federal and provincial departments of Agriculture should think about participation, consultation, and community development. The civil servants should come out of their offices and through consultation and animation develop policies with the population which would help the people of Kent County, including farmers, to pull themselves out of their predicament" (Arsenault). "Agricultural extension services should be provided on a more specialized basis, to effectively assist farm operators with their specialized technical problems" (Dernier). To help provide this information, "the government should establish and maintain an experimental farm in Kent County" (Leblanc).

To develop a new generation of farmers in Kent, "the departments of Agriculture should encourage younger people to live on farms, by granting them loans, or helping them to rent lands, etc. And the Department of Agriculture should encou-

rage our composite high schools to include courses on the basics of agriculture thus enabling our young people to get more interested in it" (Arsenault).

Organization of old and new farmers through "the organization and development of production and marketing co-operatives should be envisaged. It should also help to organize the development of secondary farm industries" (Leblanc), which would include for fruits and vegetables the establishment of "a producer-controlled facility to assemble, process, and market these products" (Dernier).

In a more general way, Kent residents view changes to be required in Canada's transportation policy. With respect to agriculture, "We support a national transportation policy which would (a) assure that industries in our region will be able to obtain their raw or semi-processed materials and market their products at transportation costs that are no higher than for competing industries in other parts of Canada and (b) that the terms of reference for the Canadian Transport Commission be changed, or a separate regulatory body be established with authority over the setting of rates, demurrage and service, which could serve as a court of appeal for shippers and receivers wishing to protest unfair treatment. The present Transportation Act does not do so" (Dernier).

More specifically, "To remedy the feed ingredients situation, we recommend a feed grains policy which (a) will make Feed Freight equalization a statutory program for the Atlantic region, (b) will have the Feed Freight equalization program cover feed grains from any origin, the transport cost of which would be equalized to the various regions of the Atlantic Provinces so that transportation costs are equalized with the Montreal-Quebec City port costs for Western Canada grain, (c) remove import restrictions on all feed grains, and (d) extend the Feed Freight equalization program to include vegetable proteins and feed phosphate" (Sullivan).

Given these solutions we can honestly say in "the famous war words of Churchill that if we given the tools, we will do the job" (Leblanc).

The preceding section has expressed the problems, the opportunities and the solutions as seen by the residents of Kent County. Whether they are completely unbiased or accurate is not relevant. What is relevant is that these people are the most important resource of Kent County. What they feel is very important, for without their support and belief, no future successes are possible. These are the people—this is their land—it is time we started listening to them.

...TO THE INSTITUTIONS

After listening to the people of Kent County, the Senate Committee felt it advisable to listen to what the institutions serving the people of Kent were saying, for in many cases they can be either the helper or the hinderer. The people of Kent have spoken, now the institutions will be heard.

The Problem

The problems of Kent County are many and complicated but "Agricultural areas with difficult problems are to be found in every region of Canada. In general, such areas are characterized by small size, restricted land capability and indifferent climate. They tend to be a considerable distance from adequate farm services, processing facilities and markets. Farmers, in these areas, have been unable to adapt to the new farming methods and as a result, they are at an extreme competitive disadvantage in the Canadian comparison. Despite the apparent agricultural potential in this area, Kent County farmers have not been able to develop satisfactory incomes from farming. This is undoubtedly associated with many factors, among which could be listed the size of operation, instability and inadequacy of return, and alternate opportunities. In other words, there is a scarcity of potential producers with interest, motivation or training to take advantage of opportunities which exist" (Whelan). With specific reference to Kent County, "Many small farmers lack the initiative as well as the managerial capabilities to undertake these developments. And with its proximity to the City of Moncton, many young people have preferred to seek employment in the city, while others have emigrated to the United States" (Schousboe).

However, it is "apparent that land has not been the major cause of the lack of agricultural progress in the County" (Schousboe). "We should not assume that the problem is soil, climate or people. We should realize the situation is just as likely to have come about by man-made or artificial circumstances that have unfavourably affected the agricultural opportunities and the economics of the area in comparison to other regions of Canada" (Gallagher).

But some people quite simply feel that "our problems started with mechanization" (West) because "The small farmers were unable to afford expensive machinery and many young people were reluctant to face the hard labor and long hours required in non-mechanized farming. High feed, fertilizer, labor and machinery costs, compared to low prices for farm products, have driven farmers away from their farms. Local markets are being supplied by foreign producers, so that many of the local farms have become subsistence farming only" (Shorten).

But others take a more positive approach and emphasize that "the interest and capability of the people to operate and manage farms of an economic size employing modern technology must be established ... no matter how much land is available, if the management capability of the farmers is inadequate or lacking, there can be no real lasting progress toward developing a viable agriculture" (E. Arsenault).

In this regard, "the low level of education is one of the main problems facing agriculture today, especially among the low income farmers", (Arsenault) which is undoubtedly brought about by the fact "that in the Atlantic Region of Canada, there is no school or institute where the French-speaking farmers, their sons and other persons interested in farming, could take courses or training in their mother tongue" (E. Arsenault). Even in the high schools, when enquiries are made regarding agricultural courses, we are told "Sorry, we don't have any". I don't think they have developed any since then and that was in 1948" (E. Arsenault).

The general feeling is that "most owners of small economic farms in the province feel that they are almost entirely bypassed by the provincial and federal departments of agriculture" (Senator Michaud quoting Leblanc and Nutter task force). Actually, "it is not that we (the people) feel that the administrators deliberately set out to keep us down. It is not that they really don't know our situation, but mostly it is that they don't seem to care. Generally, there is a feeling that policies are so designed to discourage not only the younger people but that a significant portion of the adult population have to move to the town and cities. The population feels that no matter how much time or effort they (the people) put into public meetings or research into their problems, the government has not really listened in the past, nor is likely to do so in the future" (Senator Michaud).

Perhaps the biggest problem is "that with respect to all these programs that are being formulated and announced by the various levels of government, both federal and provincial, there is not sufficient explanation being given to the people themselves. No doubt some of those programs would be very beneficial and excellent programs for the areas involved, but they are not well enough explained" (Senator Michaud).

"It has been suggested to me that one of the questions that may be causing problems in this area is the lack of sufficient services in the French language to the people in Kent County" (Argue) which is perhaps caused by the "extreme shortage of good bilingual agriculturalists or agronomists in the province right now" (Graham).

But it appears that the cause goes even further in that "we have sensed sometimes that it is a problem of communication" (Senator Lafond). At this time "we do not have programs in effect in Kent or other countries in this province of the communication type" (Weaver) to inform the farmer of the opportunities available.

But the question still arises: "Why have these farmlands gone out of production and been sold? We suggest that governments have not looked after the small farmers of Kent" (Oxley).

The Opportunities

Opportunities exist in Kent County. "The soils being farmed are responsive to lime and fertilizer and with good management, can be productive. The growing season is sufficiently long for a range of crops. Experience to date suggests that major production to which the area is adapted or has a natural advantage is meat, milk, potatoes, and certain vegetables and small fruit. Within the region, there are good markets for these products" (Whelan).

In agreement with Mr. Whelan there is sufficient well-adapted soil in Kent County to sustain an increase in agricultural production and with frost-free periods of some 7 to 10 days longer on average than that of the Fredericton area, Kent compares favourably with the Annapolis Valley" (Weaver).

"In Kent County at the present time, there are 86,000 acres actually under cultivation and, according to the information I have been given, there is a tremen-

dous potential for productivity in hat area" (Whelan). And with Kent County sitting "at the doorstep of Moncton with a growing population currently in excess of 100,000 persons, there are market garden opportunities in the immediate area. But the market opportunities extend beyond this locale to the province as a whole. The 100 acre Kouchibouguac National Park is under development in Kent's back yard. This project will draw large numbers of tourists and campers to the region, each family with its own demands for fresh produce. Similarly, highway Route 11 is an established, popular tourist route and I see distinct opportunities for well-organized approaches to roadside marketing of fresh produce" (Weaver).

The opportunities in Kent lend themselves to a change in philosophy. "There used to be a philosophy that the family farm had to be one of 50 or 100 acres. This is not so in certain operations today" (Whelan).

"The menu for Kent could be a diverse one, and I will not attempt to camouflage my enthusiasm for the potentials that exist there. We are sorely deficient in locally-produced feedstuffs required to sustain our livestock industry. There are good prospects in the region for high energy feed grains such as barley and wheat. In fact, my crops specialist at Fredericton, Mr. E. A. Grant, informs me that Kent County traditionally has produced the best quality barley in this province. There are new feed grain opportunities emerging today in the form of such protein crops as faba beans and field peas. Considering soil type, topography, and climate, I would consider again that Kent is in a advantageous position. Livestock industries other than hogs and poultry have traditionally demanded a significant land base in order to systain production. The opportunities for development of a well integrated crops-livestock industry could be realized in Kent County.

High value crops offer attractive options. Acreage requirements are not as extensive as for the production of feed crops. Rather, the emphasis is one of greater intensity of inputs on a smaller acreage with the requisite of well-drained sandy loams which are highly responsive to fertilizers and which can be adequately supplied with water through supplemental irrigation. The relatively soft winter favours production of perennial small and tree fruits.

Briefly, there is ample justification for doubling the acreage of apples produced in this province and the N.B. Fruit Growers Assoc. is currently mapping an aggressive development program aimed at achieving this goal in 1983. Strawberry and blueberry production fall far short of the market requirements and again, the growing environment and the potential labour resource in Kent have an obvious appeal.

Provincial specialists have completed developmental studies on greenhouse vegetable production and are actively promoting enlargement of capability and production facilities. The well-drained sandy loams of Kent are attractive base structures and the relatively soft climate along the Northumberland Strait suggests that the cost of heating should be significantly lower than, for example, in the middle Saint John River area.

Clearly there are distinct potentials" (Weaver).

In reiterating these comments, it is said that "a whole bunch of things (are deficient). Eggs, everything except potatoes—apples, grains, forages, meats. There is now an interest in developing beef there. But it is one of the better places for forages, cole crops, and for a variety of things that are basic. They are growing corn and some oats" (MacEachen).

More specifically, "we are very optimistic about livestock production in that area", (Whelan) because based on "our policy review three years ago, we concluded after consultation with a large number of people that one of the potential areas in which there were substantial opportunities was related to beef cattle and a number of other types of livestock in New Brunswick" (Love). The "meat markets are available for cattle, sheep, hogs and poultry to producers in Kent County and would be available for rabbits with the construction of the plant near Rexton, for the slaughtering and processing of rabbits called the New Food Products Ltd., Richibucto" (Annis). Furthermore, "Kent County is bordering on the two major marketing centres, as far as we are concerned, the two processing plants in Moncton and Sussex" (Lotherington).

In spite of "the sometimes lacking of 'entrepreneurs', opportunities exist" (Gilbert). In actual cases, "substantial areas, particularly along the coast, are suitable for tobacco and vegetable production. A few farmers have taken advantage of the opportunities presented and have become successful tobacco growers. And in the Richibucto area, research work has indicated a considerable potential for the production of vegetables on peat bogs. Over 4,000 acres of bog are available for development" (Gilbert).

By means of a market survey, "we found out that there was a market for 200 tons of onions in Moncton" (Shorten), and there are opportunities for the products such as hog and fababeans In Kent County there would "be particular prospects for fababeans because the bean tends to prefer well-drained sandy loam soil" (Weaver).

"There is a tremendous market for honey. There is an old gentleman up there, outside Rimouski, making \$7,000 a year on honey. He sells it from the roadside. This applies to other products such as buckwheat, because the market constantly changes. Those in Kent County have not been in a position to know those opportunities.

Those of us who have tendencies for conventional wisdom say the organic food market is a fad. I do not care whether it is a fad or not. It is profitable and some people are willing to pay an extra amount for Gaspé honey, which is great. There is a tremendous worldwide shortage of honey" (MacEachern).

But not all institutional leaders see bright opportunities for Kent County. Some feel very strongly that "we have got two natural crops in that County and they are wood and grass. Then you continue to look and there is a market for one product only and that is replacement for the dairy herd industry not only in this milk shed but in the eastern states" (West).

But there is a strong challenge to this attitude. "It does not make sense to me to have a county with dairy replacement and another county with the milk cows; just as

it does not make sense to have cow, calf, dairy, and beef production in one area and fluid milk production in another. The dairy animal is the backbone of our beef industry in Eastern Canada, and always has been" (MacEachern).

It is felt that after "discussions with chain-store and wholesale buyers who indicate that they are willing to take all of Kent County's produce, if this produce is properly packaged and a supply guaranteed, the market exists, and the production potential exists" (Shorten). But it goes further than that. "I don't care whether it is greenhouse lettuce, tomatoes or cucumbers. Opportunities exist in the marketplace in the Maritime provinces, just by talking to wholesalers and asking where they got those carrots, what they paid for them and the specifications they would like. How much return can be realized by growing an acre of carrots? Just simple things offer the opportunities" (MacEachern).

The general feeling exists that "yes, there is definitely a future for agriculture in Kent County. I will go further than that. If we took advantage of all possibilities there are in the agricultural field in Kent County, I have no hesitation in saying that the general economic climate here would be at par with the rest of Canada" (Senator Michaud quoting Shorten).

The Solutions

The solution can only come with the establishment of goals and objectives. "Government should adopt the goal of Community Development which is a total improvement of communities by utilizing the energy of all the people. Government should adopt the basic assumption of Community Development which briefly states that all people want to and will help themselves if given a chance to use their resources on their own terms" (Graham quoting the Task Force on Social Development) for "I believe very strongly that if we give rural New Brunswickers a chance to develop their own resources on their own terms, then we have started a real rural development program and we may revitalize some of the agricultural industry" (Graham).

But this cannot be done completely by governments in isolation for "the local people often have the best notions of what is needed to bring about improvement, and in many cases they are very simple, they are not big budgetary expenditures; they are simple little things such as encouraging the people in the community to talk to each other. There is a need for integrated rural community development" (MacEachern). "The thrust of what I am trying to say is that if we seriously wanted to develop our agriculture we have to keep in mind agriculture in rural communities and that it is area-oriented" (MacEachern).

If this approach is taken, "we believe that a significant contribution of the agricultural sector to the Gross Provincial Product (can be made) through improved managerial abilities of the farm operators and improved resources to manage, including the farm labor component" (E. Arsenault). But it all focusses on people and "I think the major step is to start with education and motivation" (E. Arsenault) which in turn would "create leadership" (Légère).

"We found that when we came to Kent County the biggest need of the people of the county was accurate information" (Shorten). As a result of this need, "we are making plans to improve our information services so that communication between the Department and farmers is improved" (Schousboe).

But times are changing and "if an agricultural community is to be viable, it has to have some grain production, some forage production, some food lots from which you can get the manure for that land, thus eliminating a massive pollution problem. This manure should be put back on the land as fertilizer" (MacEachern). And if we are to "ensure prosperity in a given area, we must create industry, and what is painful to see is that, in the field of agriculture, governments seem to be nearly in league to destroy agriculture" (Légère). To bring this about then "it is obvious that many adjustments would have to be made if agriculture were to become a viable enterprise in Kent County as a whole" (Whelan). "Some stability must be provided for this venture in which we are asking them to participate" (Whelan).

It is well understood that "the producers have the technical competence and information available to compete. That the Maritime market can absorb a greatly expanded production in livestock, poultry, butter and other selective agricultural products. That N.B. needs an expanded agricultural industry and the multiplier effect it will give. That there must be changes in the commercial situation in order to establish the necessary confidence the producer must have by knowing he can compete with other provinces" (Gallagher).

Perhaps part of the solution is that "we should now be looking at raising more grain in New Brunswick or in the Maritimes than we are. We have the land and we have some good land. We can raise herta barley" (Graham). "As far as total tonnage of grain goes, there is plenty of room for us to grow grain here" (Gallagher). We wonder "why they are not producing more of their meat products etc. in the Maritimes. You know, their mixed feed for hog growing, broiler growing, is not much different in price from that right here in Ontario, and yet they are much more deficient in meat production than they are in some of the other provinces which do not produce all their own grains" (Whelan).

This would be a tremendous start but "if you want to get people involved in beef-raising, I think there will have to be a local pilot project initiated so that the people will see on the spot how it is being carried out" (Senator Michaud). It is felt that to bring about many of these opportunities "coordinated government efforts will have to focus attention on not only the production and marketing of traditional crops and livestock products, but also on higher-value added commodities. Major efforts must be deployed to improve the managerial ability of the farming entrepreneurs and the necessary advisory services. Present and renovated programs on land improvement and consolidation as well as capital assistance, must become part of the current rural development effort in Kent County" (Bastin).

But it all comes down to people, government working with people. "The rural development officers have got the people, they have got the trust of the people, where sometimes the politician can't and many times a civil servant can't" (Graham). They have done many of these things "in the States, where they have the county agent concept, where he is partly paid by the community and partly paid by the state

government. The county agent tended to work for people in the community. He was the motivator, the stimulus" (MacEachern).

Solutions must be brought forward because "if we check the number of people who are leaving agriculture and if we check the need for certain agricultural products in the world and in our domestic market, it is clear we should be making sure that all potentially productive land in Canada is made productive. Those engaged in agriculture and who want to stay in agriculture, even some who wish to enter agriculture and have a desire to become agricultural producers, should be given opportunity to do so. We are going to need them, whether or not we recognize that need at the present time" (Whelan).

Conclusions

Although there is some disagreement on what exactly are the problems and the solutions, there is in fact total agreement that the opportunities facing Kent are tremendous. These are the people and the institutions that will make agricultural development in Kent go. They may not always be right or always agree among themselves, but people are Kent County's most valuable resource. It is these people who hold the future of Kent in their hands.

These are the people and the institutions who have spoken:

THE PEOPLE

- Mr. Zoël Arsenault, Secretary FAFAM (La Fédération des Agriculteurs Francophones de l'Archidiocèse de Moncton)
- Mr. Yvon Babineau, President, Association of Producers of Christmas Trees for Kent County North
- Mr. Philippe Bourgeois, agronomist
- Mr. William D. Dernier, General Manager, Maritime Co-operative Services Ltd.
- Mr. Jean Finnigan, President, Woodlot Association
- Mr. André Leblanc, Vice-President of the Student Council of Clément Cormier Composite School
- Mr. J. Paul Leblanc, General Manager, the New Food Products Co. Ltd.
- Miss Adrienne Léger, Vice President Elect of the Student Council of Clément Cormier Composite School
- Mr. W.F. Little, Manager, Livestock, Maritime Co-operative Services, Ltd.
- Mrs. Flora Sullivan, Secretary, Rexton Sub-Federation of Agriculture
- Mr. J.E. Walsh, Director, Maritime Co-operative Services, Ltd.

THE INSTITUTIONS

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- Dr. J.T. Annis, District Veterinarian, Health of Animals Branch, Research Station, Agriculture Canada, Moncton
- The Honourable Senator Hazen Argue, Chairman, Standing Senate Committee on Agriculture
- Mr. Edouard A. Arsenault, Director, Memramcook Institute
- Mr. Verne Bastien, Secretary, N.B. Forest Products Commission, N.B. Department of Agriculture and Rural Development
- Mr. Charles Gallagher, M.L.A., Carleton County
- Mr. Reginald Gilbert, Deputy Minister, N.B. Department of Agriculture and Rural Development
- Mr. Alan Graham, M.L.A., Kent County
- The Honourable Senator Paul Lafond, Member, Standing Senate Committee on Agriculture
- Mr. Martin Légère, Director, Fédération des Caisses Populaires Acadiennes
- Mr. V. Lotherington, District Supervisor, Poultry Division, Research Station, Agriculture Canada, Moncton, N.B.
- Mr. J.D. Love, Deputy Minister, Department of Regional Economic Expansion
- Dr. Gordon A. MacEachern, President, Agricultural Economics Research Council of Canada
- The Honourable Hervé J. Michaud, Deputy Chairman, Standing Senate Committee on Agriculture
- Mr. D. Oxley, Woodland Director, J.D. Irving Ltd.
- Mr. Peter Schousboe, Director of Extension, N.B. Department of Agriculture and Rural Development
- Mr. Harry Shorten, Director, N.B. NewStart Inc.
- Dr. G.M. Weaver, Director, Research Station, Agriculture Canada, Fredericton, N.B.
- Mr. Bill West, Director, Farm Credit Association (Moncton)
- The Honourable E.F. Whelan, Minister, Department of Agriculture

Chapter V

WHAT ARE THE AGRICULTURAL OPPORTUNITIES?

After careful consideration of the agroclimatical factors of Kent County, production requirements of the many field and horticultural crops, market opportunities and the attitudes of Kent County residents and the institutions serving them, the Standing Senate Committee on Agriculture feels that excellent opportunities exist for farmers in Kent County in a large number of commodities. These commodities range from horticulture to livestock to special crops. The main criteria to suggest these commodities are (a) can the physical and human resources of Kent County produce them? and (b) can it be sold at a profit for the Kent producer?

Fruit and Vegetables

It has been established that a large range of fruits and vegetables can be produced in and marketed from Kent County. These are basically the cool-season vegetables such as asparagus, beans, beets, broccoli, brussels sprouts, cabbage, carrots, cauliflower, celery, corn, lettuce, onion, parsnip, peas, potatoes, radishes, spinach, turnips and tomatoes and fruits such as apples, strawberries, blueberries, and raspberries.

Field Production:

Production opportunities exist for the conventional field production of fruits and vegetables as well as the less traditional commercial greenhouse operations. There are opportunities of increasing production of fruits and vegetables by some 2,200-5,400 acres in Kent County. In most areas, this increase in production would fill the deficit presently existing in Kent, Eastern New Brunswick and New Brunswick. It is calculated that production costs range between 20 to 50 percent of the total production and marketing costs of fruits and vegetables. Cost of production figures for Kent County 1975 vary for size of operation and location. Grand estimates of the cost of production and marketing per acre for Kent County are: cabbage, \$1,129; carrots, \$1,890; cauliflower, \$1,324; sweet corn, \$437; cucumbers, \$1,529; lettuce, \$1,646; tomatoes, \$1,606; and strawberries, \$1,499.

For comparison the 1975 yield/acre were: cabbage, 26,300 pounds; carrots, 13,800 pounds; cauliflower, 9,700 pounds; sweet corn, 2,800 pounds; cucumbers, 78,000 pounds; lettuce, 4,500 pounds; tomatoes, 8,600 pounds. Estimate of production costs of selected fruits and vegetables are expressed on the following pages.

Although through the years Kent County has not gone sufficiently into vegetable production, a great diversity of produce has and can be grown. More recently, some exploitation of the very fertile bog which is abundant in Kent County has taken place in the St. Charles area. At St. Charles, the St. Charles Vegetable Growers Ltd. has planted 20 acres in carrots this year. Eleven members are involved although only 2 work full time on the project. The produce is being sold to a local wholesaler. The interesting part of this project is that carrots are being grown in 20 acres of peat bog. The result is a very high quality vegetable.

Today in Rogersville, bordering Kent County, the production of 300 acres of brussels sprouts as a community project involves some 22 growers and grossed some \$300,000 in 1975. From 1959 to 1975, this community project has contracted directly with McCain Foods Ltd. for the full crop. In 1976, due to quota cutbacks from McCain's this project will be selling about 60 acres to the Montreal market at 19¢ per pound, F.O.B. Rogerville. Rogerville is presently producing some 35 percent of the Canadian production and look to a potential domestic and export market of some additional 1,000 acres.

A couple of years ago a group of producers in St. Louis de Kent, with the help of the Company of Young Canadians, embarked upon a vegetable and seed potato production project. Today, L'Association des Fermiers de Kent-Nord has followed up on the 1974 Company of Young Canadians seed potato project in St. Louis de Kent. This year, there are 11 acres of seed potatoes planted and 5½ acres each of cabbages and onions. As well, 77 acres of grain have been planted as a rotation crop. Basic training is being provided for 11 people through this project. At this time, there are no plans to market the produce on a commercial basis. The emphasis rather is on developing good quality, price and service. Funds for the project are provided by the Community Improvement Corporation and the Canada Department of Manpower.

More recently, a co-operative has been formed in Ste. Marie de Kent to build a cold storage and packing plant for 400 tons of vegetables. There are 13 members of the co-op involved in the \$86,000 project. A grant of \$29,400 has been received through the Community Improvement Corporation and the Kent Pilot Sub-Agreement for this project.

Greenhouse Production:

Recent work done by the New Brunswick Department of Agriculture has concluded that tremendous potential exists for the development of greenhouse production of fruits and vegetables in New Brunswick to provide local produce during the off-season. The Department conservatively estimates an immediate demand for produce from over 15 acres of greenhouses, up from the present two acres. In 1975, sales of greenhouse vegetables increased to \$150,000 in New Brunswick. Since the recent increase in energy prices, Kent County is in an advantageous position for greenhouse production. The temperate climate of the east coast of Kent reduces the required input of energy to heat the greenhouses and the proximity to the Moncton market reduces transportation costs.

EXPECTED PER ACRE COSTS FOR SELECTED VEGETABLE AND FRUIT CROPS IN NEW BRUNSWICK—1975

				INE	DVC	NEW BROINSWICK—1973		C/61-					
Crop	Broccoli	Broccoli Cabbage	Carrots	Cauli- flower (fall)	Celery	Sweet	Cucum- bers	Lettuce	Onions	Peas	Spinach	Straw- T berries	Straw- Tomatoes berries
Production—Labor	127.41	136.84	148.61	185.43	257.11	14.50	143.99	245.55	135.54	16.10	63.50	352.63	110.34
Production-Machinery	45.76	95.44		84.86	150.12	40.54	116.60	85.29	24.61	59.15	61.00	115.47	117.16
Harvest—Labor	1	244.65		346.82	2030.00	103.50	454.97	334.03	55.86	953.64	175.22	533.68	691.71
Harvest-Machinery		15.51	1512.50	28.98		16.18	106.92	21.32	496.81	8.93	24.32	26.56	78.24
Selling Costs		362.23		450.02	169.50	113.73	293.80	597.87		230.57	125.60	31.26	222.67
Seed or Plants	10.17	92.98	7.70	17.28	8.10	8.35	89.12	173.07	38.16	69.04	12.88		139.61
Fertilizer	55.50	49.32	51.15	43.38	92.91	44.84	63.22	59.33	62.13	44.58	39.67	284.10	50.56
Spray	50.85	26.38	51.98	48.11	84.75	19.15	36.84	7.14	47.02	5.60	12.50		40.10
Other	120.32	61.46	73.27	74.52	77.85	31.70	178.07	77.58	84.74	88.50	35.58	109.82	110.34
Land	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Total Production Costs	455.	507.	378	498	716	204	673	693	437	328	270	200	613
Total Harvest Costs		622.	1513	826	2199	233	856	953	553	1193	325	592	993
Total All Costs	455	1129	1890	1324	2915	437	1529	1646	066	1521	595	1499	1606
Harvest Costs as % of Total	1	55	80	62	75	53	56	58 9800	56	78	55	39	62
Average 1975 N.B. Yield		263001b	138001b	97001b	653001b 9000 ears	0000 ears	78001b	Head	195001b	26001b	77001b	6000qt	860015
Breakeven Price-Marketed		4.3¢/lb	13.7¢/lb	13.6¢/lb	4.46¢/1b	4.9¢/ear 19.6¢/lb 17¢/head	19.6¢/lb 1	7¢/head	5.1¢/1b	58.5¢/lb	7.7¢/1b	25¢/qt	18¢/1b
Pick Your Own		1.9¢/lb	2.7¢/1b	5.1¢/1b	1.1¢/lb	2.3¢/ear	8.6¢/1b	7¢/head	2.2¢/lb 12.6¢/lb	12.6¢/lb	3.5¢/lb	15¢/qt	7¢/1b

SOURCE: Senate Standing Committee on Agriculture

Marketing

Local Market of Kent County and Vicinity:

Wholesale: With the presence of a number of large food chains, with many local groceries and local restaurants, all of which bring their produce in from outside Kent and mostly outside New Brunswick, a ready local market for produce is available. Discussions with local restaurant managers and retail store purchase managers, resulted in much encouragement for the Kent producer. Most of the businessmen conferred with suggested that they would be prepared to purchase all products locally grown if Kent could compete in price and quality with the imported product. Many were also concerned with regularity of supply and were prepared to forward contracts to ensure this supply.

Retail: Local Market Place: There exists in Kent County a number of sizeable communities which could support a farmers' market for local consumption. Much as fishermen sell some of their catch to friends and neighbours, local farmers could establish fresh produce market places. Although the marketing costs are higher than if the produce were sold to a retail store, the farmer is in a position to demand a price equal to that of the retail store.

Tourist Market: With the present and potential influx of tourists into Kent County due to the opening of the federal park at Kouchibouguac, a new and untapped lucrative market exists for fresh produce. There are tremendous opportunities for Kent County farmers to establish farmers' markets along the main highways and near the entrance to the park. The tourist trade is a demanding market to serve but can be very rewarding financially. It is not unheard of for a farmer to receive up to 15 percent more at his market place than a retailer for the produce of the same type and quality. The roadside market provides more than a place to buy food for the tourist; it provides a little of the milieu they are visiting.

Moncton Market:

The Moncton market provides an excellent opportunity to fruit and vegetable farmers in Kent County. There are two basic methods of reaching the consumers of Moncton — the wholesalers who sell to the grocery stores and the farmers' market.

Wholesale: There are a number of fruit and vegetable wholesalers located in Moncton who would be interested in acting as the Eastern New Brunswick distributor for producers from Kent provided good quality, competitive prices and regular supply were ensured. Likewise, the purchasing agents for the local chain stores and restaurants would be interested in produce from Kent. Prices paid would vary but would be approximately that paid for presently imported produce which includes the transportation to Moncton.

Retail: Moncton Farmers' Market: By far the most lucrative method of selling fresh produce into the Moncton market is through a local farmers' market. Unfortunately, at this time, the City does not have a farmers' market as such. However, in discussions with the Moncton City Council and the Moncton Chamber of Commerce, a proposal for such a market would be readily accepted and support would probably be forthcoming. Prices received for the produce would initially be about the

PRICES OF SELECTED FRESH FRUITS & VEGETABLES—MARITIMES 1975/76

	m	10.50	5.50	4.50	1.75		9.00		4.00		
, 1976	Montreal 2	12.00	4.75	4.00	2.25			1	3.50	1	1
3. April 23, 1976		7.00	4.50	3.75	2.50	4.50	1.25	7.00	3.50	10.00	.47
	8	13.00	8.80	7.00	6.20		8.80		7.00	-	
	Saint John 2	12.00	8.50	5.50	4.75				7.00	-	1
1975		10.00								8.00	08.
2. Dec. 26, 1975		12.60	8.50	5.00	7.00	1	00.6		00.9		-
	Halifax 2	13.50	8.00	4.50	5.00		1	ļ	5.00		
	-	9.50	8.50	5.00	4.00	10.00	3.50	7.00	7.50	00.6	.78
1. Aug. 29, 1975		30 lbs.	bag	carton	bag	2 dozen	2 dozen	2 dozen	bag	12 pt.	1 qt
1.		Tomatoes	Onions	Cabbage	Carrots	Celery	Cucumbers	Lettuce	Turnips	Blueberries 12 pt.	Strawberries 1 qt

SOURCE: Fruit, Vegetable and Honey Crop-Market Report-Canada Department of Agriculture

retail store price but once freshness and quality were proven, a slight premium would be possible.

Maritime and Quebec Markets:

Due to the uncertainties and cost in moving into markets away from home, it is suggested that a fruit and vegetable wholesaler be commissioned to handle the sale of Kent produce outside the immediate Kent County—Moncton area. Initial discussions with wholesalers in Moncton, Halifax, Rimouski and Campbellton, indicate interest in handling Kent County produce. Likewise, discussions with Maritime food chains have unveiled potential distributors among their stores.

Wholesale Prices Received—Maritimes and Quebec—1975/76

Wholesale prices paid for fresh fruits and vegetables in Halifax, Saint John and Montreal, demonstrate the opportunity for producers of fresh fruits and vegetables in Kent County. As a general pattern, fruit and vegetable prices at wholesale run well above Montreal prices, sometimes over double. The attached table compares prices at 3 times of the year at Halifax, Saint John amd Montreal.

Export Markets:

At this time, it is not felt to be wise for Kent County to be looking at export markets in any commodity except perhaps seed potatoes. In most fruits and vegetables, the local Maritime and Quebec markets are substantially large enough to absorb any immediate increase in Kent production.

Fruit & Vegetable Processing:

Consumption of processed fruits and vegetables is continuing on an increase in most of Canada and the Maritimes in particular. A study done by Warnock Hersey International Ltd. in 1970 depicted a number of market opportunities for a complete range of processed fruits and vegetables in the Maritimes, North Eastern United States and the United Kingdom. Since that time, development has occurred that has seen one Maritime processor move significantly into these markets with frozen produce and a couple of others in juice and canned produce. In 1975, the opportunities available are limited only by the lack of processing facilities in the Maritime provinces. Penetrating new markets with new products is a difficult task and should be undertaken in conjunction with an experienced and successful organization.

Organic Fruits and Vegetables:

The organic food market is a relatively new one and a rapidly expanding one that offers higher prices and profitable opportunities to many farmers who can produce for the market and take initiative in servicing it. In 1975, the market for organic food in Canada was some \$45 million dollars and the U.S. market was over \$300 million. Whether this trend to more wholesome food is a fad or not is not important. This market provides tremendous opportunities to the Kent farmer. The major centres for organic food are Montreal and Toronto in Canada, and Boston and New York in the Eastern United States. In these cities alone there are over 100 exclusively health food stores and some 300 more that have health food sections. All

are interested in finding new sources of supply of organically grown fresh fruits and vegetables such as are possible in many areas of Kent, and especially in the bog area. Initiative, enthusiasm and work are required to contact buyers, many of whom would be very interested in Kent produce in order to tap this lucrative market which often pays double that of the roadside tourist market.

Maple Syrup

Production:

Kent County has historically been a producer of maple syrup and today has significant stands of maple trees suitable for tapping. The 1976 costs of production are estimated to be about \$7.28 per gallon for which the farmer was receiving about \$13-14.

Marketing:

The market for maple syrup in Kent, Eastern New Brunswick and New Brunswick is so great that it is unnecessary to consider marketing further at this time. However, there are much larger markets in the Maritimes and the New England States. Local marketing can most probably be handled by the producer himself or with the help of a wholesaler if necessary. Any marketing outside the local vicinity of Kent and Moncton could probably be best done by a wholesaler or agent.

In addition to the syrup, maple products such as candy, provide a unique marketing tool and allow for a greater return to the producer.

Flower and Bedding Plants

Flowers and bedding plants have a tremendous potential in New Brunswick. Sales in 1975 amounted to \$1.8 million in flower and potted plants and another \$500,000 in bedding plants.

A recent study shows that the order of popularity is first, tomato transplants followed by marigolds, peppers, impatiens, petunias, geraniums, salvia and cabbage. Three of the eight items were vegetables. Related products which also sell well include cut flowers and made-up display items such as terrariums and hanging baskets.

With a large consumer market nearby, opportunities exist both in the production and distribution areas. Market outlets include roadside stands, roadside markets, traditional markets, such as the farmers' markets, florists, grocery stores and department stores. It is felt that with a little imagination and some decisive marketing, tremendous opportunities are open in the bedding plant and related industries in New Brunswick. The present \$1.8 million in flowers and \$500,000 in bedding plants is estimated to be only about 20 percent of the market potential.

Field Crops

The Maritime Region and New Brunswick in particular, are greatly in need of expanded production in feed grain and offer some opportunities in a number of special crops.

High Protein Grain Crops:

Crops which provide good yields of home grown protein can be grown in the Atlantic provinces. Field peas are well adapted to the region. Yields of 1½ tons of dry peas per acre with protein of 25 percent are possible. Soybeans are suited to the larger frost-free areas of the coast where maximum yields may be 1 ton/acre with 40 percent protein. Rapeseed also has a potential yield of 1½ tons per acre with 20 percent protein but, harvesting and drying difficulties and feeding problems must be resolved before farm production can be recommended. Field beans may also be considered for home grown protein and are also in demand for human food. In addition, there are the old standby grains of barley, spring wheat, oats, winter wheat, and fall rye which have historically been grown in the area and certainly could in 1976 or 1977.

Corn Production:

Corn is a high yielding annual crop capable of providing more tons per acre than any other forage. Good quality corn silage is highly palatable and digestible resulting in greater intake and assimilation by livestock than for most other forages. Although low in protein, corn is exceptionally high in energy, which is the ingredient most required in largest quantities by livestock. This means by supplementing corn silage with high protein hay, a farmer can supply a greater portion of his total livestock feed from home-grown forage, thereby reducing the quantity of grain or high cost purchased feed in the ration. The growing of corn for silage provides an opportunity for the production of a large volume of quality feed for beef or dairy cattle on limited acreage.

Forage Crops:

Modern production practices and new hybrids of forages have almost doubled the potential yields of forages in the Atlantic provinces. Traditionally, it was felt that timothy, red clover, and alsike clover were the best forages for the region. More recently, alfalfa has been greatly improved through breeding and birdsfoot trefoil has come on the scene. Grasses such as bromegrass, orchardgrass and reed canary grass now are important in the forage program. Yields of forages are now up to 4 to 5 tons per acre in the Atlantic region and is now most important to the development of a greater home supply of feed.

Pricing of Feed Grain, Atlantic, Quebec and Ontario, July 75 & 74

The importance of developing greater self-sufficiency in feed grains and forages in the Maritimes is emphasized by the attached table that compares feed prices in Atlantic Canada with Quebec and Ontario. In almost every case, Atlantic feed prices are the highest in Canada due mainly to the cost of transportation. Kent County has the physical attributes to play a significant role in increasing New Brunswick self-sufficiency in livestock feed.

Special Crops

Tobacco:

For the 1976 crop season, the Canadian Tobacco Growers Assoc. has negotiated a 190 million pound agreement with the Canadian Tobacco Manufacturers Council at a guaranteed price of \$1.00 per pound. Of this amount, 175 million pounds are for Ontario, 10 million for Quebec and 5 million for the Maritimes produced in Nova Scotia, Prince Edward Island and New Brunswick. For the Maritimes Producers this is down some 1 million pounds.

In recent years, domestic demand has been down to 135 million pounds and imports have risen. Much of the United Kingdom market has been lost due to the British entry into the European Economic Comunity. At this time, there is some talk of Rhodesia re-entering the world tobacco market which would tend to drive Canadian prices down. Although the Maritime producer has some advantage in costs of production over Ontario, this is not foreseen to be a large enough opportunity in the near future to encourage greater production.

Potatoes—Table:

1976 is looking like a good year for Maritime potato growers due to shortages around the world. Canadian stock of May 1975 are down some 51 percent over a year earlier. Prices are up in New Brunswick to 5.46—6.06 cents per pound from .73—.76 cents per pound in 1975. This is expected to result in a slight increase in plantings in New Brunswick. However, producers can still remember 1975 lows and the ups and downs of the 70's. The Canadian market for potatoes is full of uncertainties and although the long term may prove optimistic, it is not recommended that any sudden influx of producers take place.

Potatoes-Seed:

The best opportunities in potatoes rest in the export market for seed. In 1975 the Canadian Feed Potato Export Agency was established to promote Canadian sales. They are at present arranging sales in South Africa, Kenya, Brazil, Chile and North Africa.

Since the world market is for yellow potatoes, the agency is presently attempting to import Dutch seed to produce in Canada. The introduction of this seed into Kent County would be an ideal opportunity for Kent producers. The present low production of potatoes could possibly be an advantage as little danger to present varieties could occur by the introduction of the Dutch seed. Kent could then be a leader in producing for export markets. However, problems will exist in getting permission to import the Dutch seed and these could prevent realization of this opportunity.

AVERAGE MONTHLY RETAIL PRICES OF SELECTED MIXED FEEDS, BY PROVINCE OR REGION

July 74 & 75

Feed Type and Time Period	Atlantic Provinces	Quebec	Ontario
Dairy Feed (14-16%)			
This month	146.70	142.75	136.28
Month ago	146.89	145.53	138.40
Year ago	136.09	137.42	136.27
Beef Supplement (32-40%)			
This month	186.48	177.89	157.19
Month ago	191.60	182.26	158.33
Year ago	156.03	156.03	148.80
Hog Grower (14-16%)			
This month	154.11	149.68	144.75
Month ago	154.08	152.33	145.00
Year ago	145.25	143.78	143.50
Hog Concentrate (35-40%)			
This month	239.02	214.82	200.38
Month ago	243.27	210.70	199.43
Year ago	227.26	188.48	183.72
Chick Starter (18-22%)			
This month	179.88	175.93	172:60
Month ago	178.55	175.82	171.18
Year ago	172.60	168.32	169.90
Broiler Starter (22-24%)			
This month	189.00	180.05	168.14
Month ago	185.52	178.92	167.13
Year ago	188.66	175.50	170.35

SOURCE: Canadian Livestock Feed Board

Sugar Beets:

In the last year, there has been a lot of discussion regarding the introduction of the sugar beet to the Maritimes. Producers in Western New Brunswick and Prince Edward Island have been approached by Triple A Sugar Corporation of Maine to contract production at a guarantee of \$18 per ton. Already a number of farmers have accepted this contract.

The sugar beet is unusually suitable in Kent County. The agroclimatic factors are in favour of its production as is Kent's location on major roads and rail lines for marketing. The sugar beet is a new crop to the Maritimes, but one which shows a lot of potential to Kent County especially.

Livestock Potential in Kent County

After some serious investigations, it is felt that there are a number of livestock opportunities in beef, dairy cattle, hogs, poultry, sheep, rabbits and horses.

Basis for Consideration:

It has already been discussed that there is the immediate possibility of the additional production of some 44M lbs. of feed grain and some 33M lbs. of forages in Kent County and recognizing the problems of importing feed grains, it is felt that any immediate increase in livestock activities should be built upon local grain and forage capability. It has also earlier been suggested that Kent is capable of producing feed for an additional livestock herd of some 5,369 beef cattle, some 20,730 hogs and some 1,855,000 broiler chickens.

Livestock Operation:

Even though local feed is available for the additional production of some 5,369 beef animals for slaughter, it is felt that a diverse approach should be taken.

Beef Steers and Cows for Slaughter:

It is suggested that a number of opportunities exist for the serious beef farmer in Kent. With the development of an integrated feed-livestock operation, the costs of imported feed would be minimized and a good living made. It is conceivable that a few small feed lots would be established in the south of Kent to act as finishing pens for market as the nearest slaughter facilities are in Moncton.

Raising of Feeders:

As of May 1976, a few feedlots of 200-400 head have been established near Moncton. It is envisaged that farmers in Kent County could very well contract to supply feeders to these lots on a continuous basis. Initial inquiries have proven promising. Buyers preference is for calves weighing about 350-400 pounds. It is also felt that feedlots in Western New Brunswick and Nova Scotia would be most interested in purchasing feeders from Kent.

Dairy Beef:

Although it is considered to be of some immediate opportunity, dairy production is not highly recommended for the long term as a sole operation in itself. However, the development of a dairy beef herd in Kent over the next 5 years appears to be attractive and a money-maker. Dairy beef is the use of the dairy herd as both a milk producer and veal and beef producer, without any specific cross breeding with beef animals or in some cases, cross breeding the dairy cow with a beef bull. Such programs as the F-1 program in Quebec could do three things:

- 1) Develop a greater self-sufficiency in milk in Kent;
- 2) Take advantage of some opportunities available for dairy calf replacement in New Brunswick, Nova Scotia and the Northeastern U.S.;
- 3) Work toward the establishment of a viable beef herd in New Brunswick. It is quite common to find areas such as Ontario, Quebec, and the Northeastern U.S. where the dairy cow has been the backbone of the beef industry.

It is estimated that if the calves were sold in the fall, and the cows were carried over the winter, it would be possible to reduce the consumption of grain and feed up to 80 percent by a heavy ration of tame hay.

Cattle Pricing:

The following table demonstrates the regional differences in beef prices for Ontario, Quebec and the Maritimes 1975/76. Of special note is that Maritime prices are consistently above either Ontario or Quebec prices. Although these wholesale prices are not the actual price the farmer received, they do provide an accurate basis for comparison between regions.

BEEF PRICE COMPARISON 1975/76 (\$cwt)

1. Oct. 18, 1	975		2. Jan.	3, 1976	3. April 24, 1976				
	Т	oron	to		Montreal			Truro	
	1	2	3	1	2	3	1	2	3
A1 & 2 Steers (over 1000 lbs)	51	47	43	_	42.50	43		43	46
Common Steers	37	36	35.50	27.35	3.120	38	42	34	40
Slaughter calves (choice & good)	32	42		51.40	37.20	_	56	42	
Feeders over 750 (steers)	41	41	41.50		38.20	43		42	46
Steer calves (under 300)	_	42	40.50	29.35	31.10	40	33	42	42

Source: Canada Livestock & Meat Trade Report— Canada Department of Agriculture. Hogs:

A number of studies over the past few years have concluded that hog operations can be a money-making opportunity in New Brunswick. Such studies recommend that the establishment of a number of 50-100 sow operation in Kent integrated with grain and forage production, would find success. It is estimated that an integrated hog farmer, in order to supply his complete feed requirement, would require the production of about 1 acre of grain (barley) per hog to bring it to market weight, or on a 50 sow operation, 4 acres per sow. The following comparison of hog prices in 1975/76 shows the prices of hogs for slaughter in Ontario, Quebec, and the Maritimes. It is of note that Maritime hog prices are constantly above those of Ontario or Quebec.

HOG PRICE COMPARISON (1975/76 (\$/cwt))

1. C	oct. 18,	1975	2. J	an. 3, 1	976	3. A ₁	pril 29,	1976
	Toronto)	N	Montrea	al	Fı	ederict	on
1	2	3	1	2	3	1	2	3

Hogs (under

100 lbs. dressed) 77.25 70.41 64.67 77.25 70.00 64.22 77.95 76.50 65.75

SOURCE: Canada Livestock & Meat Trade Report— Canada Department of Agriculture.

Poultry:

At present, there are a few good poultry producers in Kent County and from an opportunities point of view, the door is open. However, one attempting to enter the poultry business in New Brunswick will shortly be strictly curtailed and be required to purchase a quota at substantial cost. The National Farm Product Marketing Council is presently reviewing a proposed broiler national marketing plan which will restrict production and most likely, establish New Brunswick as a deficit region as has happened already in the case of eggs. Based on Kent County's ability to produce feed, there are good opportunities in both eggs and broiler and turkey production. However, one should go in with both eyes open. One specific opportunity would be producing under contract for Colonel Sanders Kentucky Fried Chicken outlets. Initial contact has proven optimistic.

Poultry Pricing

A comparison of poultry product pricing in Ontario, Quebec, and the Maritimes is displayed in the following table. Special note should be made of the higher prices received by producers in the Maritimes.

POULTRY PRICE COMPARISON 1975/76 (cents/lb)

	1. C	oct. 18,	1975	2. J	Jan. 3, 19	76	3. N	1arch 1976	20,
	1	2	3	1	2	3	1	2	3
Chicken under 5 lbs. 5-6 lbs. 6-7 lbs.	35 35.5 36.6	37 36.5 38	34.25 35 36.5	35.75 35.5 35.5	35.00 34.75 34.75	32.50 32.25 32.25	37 41 41	37 41 41	37 41 41
Turkey 12 lbs. & under	45	44	45	43	43	43	45	45	45

SOURCE: Poultry Market Review-

Canada Department of Agriculture.

Some Unconventional Alternative Feeding Opportunities

The problem facing the Maritime provinces with importing feed grains is not new to the Maritimes, other regions of Canada or in any regions of the world for that matter. Consequently, much work has been going on to attempt to come up with alternative feeding systems. Alternative feeding systems have, and are being developed which should substantially lessen the need for relying upon imported feed. Success has been achieved to date in the processing and feeding of waste products such as straw and other crop residues, forestry wastes and animal wastes, in particular poultry litter. A few alternative feeding systems are described below.

Straw:

Britain's largest animal feed manufacturer has just put into production a revolutionary process which doubles nutrient value of barley and wheat straw, and can turn it into a useful ingredient for animal feeds at the rate of four tons per hour.

Built by BOCM Silcook at Kimbolton in Cambridgeshire in the east of England, the process is said so promising that the company plans to build two more

elsewhere in Britain in time for this year's cereal harvest. In the past, the feeding value of the material was limited because much of the nutriment was locked away in the cell walls. But if the cell walls are first broken down by chemicals, the digestion process can utilize some of the walls and all of the starches and other contents of the cells.

The nutritionally improved straw produced has roughly double the nutrient value of ordinary straw. Moreover, it has an energy value two-thirds of that of barley grain.

Potato Silage:

A generation ago it was common practice to make silage with potatoes in many places in Europe and, to a lesser extent, in North America.

A number of cattlemen make silage from surplus potatoes and successfully store them for fall feeding. The results are that a good silage can be obtained by mixing chopped hay and potatoes as they are blown into an upright silo. Steers fed a silage made from potatoes and hay eat more dry matter per day, and gain an equal amount of weight as steers fed corn silage.

Ensiling potatoes mixed with dry feed, provides a way of holding surplus cull potatoes over the summer for fall feeding. It might also be a convenient way of storing potato processing plant wastes on farms not equipped to handle the waste as a slurry. The addition of dry feed at 20 to 40 percent of the weight of potatoes should give satisfactory silage.

The Stake Process:

One process for converting unconventional feed stuff into high protein feed, is a process which treats forest products and product wastes and crop straws, under steam and pressure. The plant which is now available in Canada, breaks down the walls of the cells and produces a highly digestible pelletized animal feed.

Poultry Waste:

Poultry waste has been found to be a highly digestible, high in protein, feed for cattle. Some analyses have shown poultry litter to be composed of up to 37 percent protein. A number of cattlemen in Ontario are presently feeding a ration of 70 percent poultry waste and 30 percent corn over the winter, with no adverse effect on the quality of meat or milk or on the animals' health. In addition, it has been proven that a ration of broiler litter, corn and hay, produces a very good feed for sheep.

Conclusions

Unconventional feeding supplies are evolving. Restrictions that applied to livestock production in the past, need not restrict production in the future. It is suggested that after further exploration, a pilot project on alternative feeding systems be set up in Kent County.

Horses:

It is envisaged that there are good opportunities for the breeding and raising of horses. A number of things are happening on the scene which open doors to Kent County farmers.

High land values are now driving riding stables away from big Canadian and U.S. cities. Low land prices, good labour, and an abundance of feed could attract some operations to Kent.

The recreation riding horse scene has risen the demand for good horses to an all-time high. Opportunities exist for the breeding and training of such horses.

And there is a definite shortage of good draft horses, such as those needed by the beer companies and others for advertising. They have to buy them somewhere and there are just none around. Why not Kent County?

Sheep Production:

The present demand for lamb is higher today than it has been for the past decade. The Montreal and Maritime markets are finding it necessary to import fresh lamb from the U.S.

Kent County has the physical capability of filling much of this gap in supply. It is suggested that similar projects to those now being undertaken in Nova Scotia and Cape Breton, would fare well in Kent. Since sheep are not grain eaters, this is seen as a good opportunity to take advantage of much of the class 4 and 5 land that is presently under grass. Following Nova Scotia's example, it is felt that the best breeding stock for sheep for Kent would come from Scotland. However, there are problems to be encountered with import quarantine regulations which must be planned for. Another present limitation would be the lack of slaughtering facilities for lambs in the Kent-Moncton vicinity. However, facilities do exist in Truro, N.S.

Additional opportunities are seen in the tanning of sheep skins with wool on or the separate sale of wool to women's boutiques in Montreal, Boston and New York, or the sale of wool to clothing manufacturers. Development of these opportunities might very well result in the establishment of a small tannery in Kent.

Rabbit Production and Slaughtering:

This committee feels that there are significant opportunities for the production and slaughtering of rabbits for the Maritime and Quebec markets. Preliminary results of a market survey show a good market demand and ready buyers for rabbits from Kent County.

With the establishment of the New Food Products Company Ltd., and the Rabbit Ranchers Enterprises, the people are already moving forward. After some difficulty obtaining required support, the plant was opened in late May 1976. The result is an immediate opening for 18 employees with future expansion being discussed already.

Present limitation on the expansion of this enterprise are affected only by local production and slaughtering capability and the ability to get the meat to market. The potential size of the market is virtually unknown but offers almost unlimited opportunities at this time.

Honey Production and Marketing:

The market for honey from Kent County appears to have several opportunities. At the present retail price of 88-95c/lb., the beekeeper is receiving either 40c/lb. from the wholesaler or 65-70c/lb. from the retailer. Up until the last six months, the Canadian market for honey has been very lucrative. Since that time, a large quantity of honey from Argentina and Mexico has been brought into Canada. As a result, there is a large surplus on the Canadian market.

However, there are specialty markets open to producers from Kent. Conversations with brokers in Halifax, Boston, New York and Montreal indicate a ready market for pure Kent honey in the health food stores due to the fact that little fertilizer and chemicals are used in Kent. Wholesale price is estimated to be as high as \$1.10lb, CIF Boston.

Production of honey in Kent is best suited to groups of 20 hives in or near fields of clover, golden rod or astres or near apple orchards, where yields of 65-75 pounds per hive are possible.

Although production costs of honey in New Brunswick are somewhat higher than in Ontario, there are available a number of opportunities such as marketing to the tourist trade that should substantially increase returns to farmers.

But What Will It Cost To Produce?

Production Cost Comparison as of May 1976: Kent County N.B. vs. Glengarry County, Eastern Ontario:

Very often the discussion of potential agricultural production in Kent County or the Maritime provinces, focusses on the belief that there is a significant disadvantage in costs of inputs to the Maritime farmers.

A check of farm prices in Glengarry County in Eastern Ontario versus those in Kent County in May 1976, revealed slight disadvantage in operating costs but advantages in fixed capital costs in Kent County's favour. The fact that Maritime Canada receives continuously the highest prices for their products, has already been discussed. Consequently as far as operating costs go, a slight disadvantage in input costs is not harmful if it is compensated for on the output side. As far as fixed costs go, it is generally cheaper to enter farming in Kent County than in Glengarry, and certainly much cheaper than to enter farming in the prime horticultural regions of Ontario and Quebec, where farm land sells from 1,000 to 2,000 dollars per acre. Machinery in the Maritimes is about 15 per cent higher than in Glengarry, but could be reduced, it was found, by shopping around in Nova Scotia or Western New Brunswick.

The evidence gathered to date does not support the widely held belief that Maritime agriculture cannot be cost competitive with Ontario and Quebec.

Profitable Returns:

In conclusion, it is felt that there are many agricultural opportunities facing Kent County. However, it must be emphasized that the menu for Kent should be diverse. Greatest return to farmers will be found by combining a number of compatable enterprises so as to maximize return to labour, investment and management.

It is recognized that for some commodities, the cost of production will be higher in Kent than in Ontario, but the prevailing higher prices for commodities in the Maritimes appears to provide ample compensation.

In general, there is every reason to believe that a large number of agricultural commodities can be produced in Kent County at a profitable return to the farmer.

PRODUCTION COSTS—MAY 1976

KENT COUNTY, EASTERN N.B. vs. GLENGARRY COUNTY, EASTERN ONTARIO

(\$)

	Kent	Glengarry
Fertilizers (ton)		
19-19-19	168.50	158.
5-20-20	146.	123.50
Lime/50 lbs.	.75	2.50
Seeds (/cwt.)		
Forages		
Timothy climax	57.	50.
Alfalfa vernal	125.	115.
Clover red	97.	80.
Trefoil empire	210.	195.
Bromegrass vaylor	132.	122.
Corn rs 259 co-op (80,000 kernels)	42.	42.
Grains		
Barley volla	16.	13.
Oats stormont	12.50	13.
Wheat	16.50	
Chemicals		
Atrazine/lb	3.40	4.85
2-4-D/gal	9.	11.30
Land/Acre	35.	500.
Labour	2.65	2.65
Gasoline/gal Machinery	.50	.49
Massey-Ferguson 265 tractor	9,500.	8,000.

SOURCE: Standing Senate Committee on Agriculture Research

Chapter VI

WHAT IS BEING DONE FOR KENT COUNTY?

Over the past ten years, there have been many government programs which have been touted as the saving grace for Kent County, and others like it but "One would have to be quite naive to think that the results to date, and those anticipated by government officials, will produce any turnaround in agriculture or rural development. At best, it will slow down the trend" (MacEachern). Because generally Canada does not have "any co-ordinated program for attacking poverty, whether in Kent County or anywhere else. We are well geared at the multi-national level, at which we have all kinds of programs" (Kristjanson).

The government programs we do have are not designed to keep people in agriculture: they have been "designed implicitly, if not explicitly, to reduce the number of farms through amalgamation, the assumption being that larger land holdings are better equipped and mechanized, and would produce a more affluent and stable agricultural community" (MacEachern). For "federal policies are established for the country as a whole and do not always meet the needs of the poorer and disadvantaged regions such as the south-eastern area of our province" (Bourgeois).

For these reasons "Many people in the rural areas are skeptical, and they have a real right to be so. My concern is that governments at the federal, provincial and municipal levels, can, through their attitudes, leadership and legislation, enhance the spirit of a people or, conversely, can effectively retard or even destroy it" (MacEachern).

In actual fact, the record of governments involvement in rural development is terrible. The programs of governments are inconsistent: "one moment there is a study relating to the potential of our primary resources, and then they have told us that in the schooling area, it is better to prepare our youth to go and live elsewhere. This really meant that our youth have no future here, and that they would be better off to prepare themselves to earn a living in the economic growth centers of Saint John and Moncton, created by the Department of Regional Economic Expansion of Canada" (Bourgeois).

Hence, either because of or in spite of past and present government policies "Kent County has been neglected and isolated from the opportunities which exist and the technologies which are available" (MacEachern). Much of this cause stems from "the difficulty that government looks at something and says it is not viable, therefore it cannot be viable: yet development, in my opinion, is how the human potential in Kent County can be up-lifted" (MacEachern).

Federal Programs

Small Farm Development Programs:

In 1969, H. S. Olson, then Federal Minister of Agriculture, brought attention to the plight of rural communities. "Unless we develop new concrete programs, many Canadian operators and, in fact, the whole rural community, will be threatened". Whereupon he introduced the Small Farm Development Program which was discussed by the Rt. Hon. P. Trudeau. "The program now under consideration is our last chance. It must succeed, otherwise everything (the rural society) will collapse".

This program is based on an agreement signed on Oct. 23, 1972 between Canada and New Brunswick. The program consists of a) a land transfer program which assists the sale of land and b) an information program of rural counselling and farm management consulting services.

As of May 1, 1976 some 14 vendor grants have been approved since 1972 for Eastern New Brunswick by the Moncton office. In addition, another 4 special credit offers were approved for all of Eastern New Brunswick to help farmers leave the land.

As part of the agreement, Agriculture Canada is to provide three farm counselors to be stationed in Grand Falls, Fredericton and Moncton, all of which were vacant as of June, 1976

As of June, 1976, the Small Farm Development Program in New Brunswick had been a failure in rural development and "on reading the record, I would say that the Small Farm Development Program could never have helped Kent County" (Kristjanson).

A first, it was felt that "the federal Department of Agriculture's Small Farms Program was a timid step forward in the right direction, but it was far from being sufficient" (Bourgeois). Specifically, it could be said that the SFD program failed in New Brunswick because: (1) It was designed to help people leave agriculture but "Ninety percent of the people in Kent County were not interested in selling, they were interested in staying" (Kristjanson). (2) It was designed along the "Big is Beautiful" philosophy. "I think it would be wrong to start with a presumption that farming, even small-time farming, is not profitable now" (MacEachern). There is "no convincing evidence in the last five years that enlarging the farm size is the key to improving farm viability on the majority of farms. In fact, there is ample evidence to the contrary" (MacEachern). (3) The counselling service which was to be an integral part of the program never really got started. The program's ineffectiveness proved frustrating for the staff hired. In addition, problems existed in obtaining good French-speaking staff for the Maritimes office, which in fact, never did materialize. (4) The administration of the program by the Farm Credit Corporation proved a mistake, as this organization does not carry a good reputation in the Maritimes among the farming community. (5) This program was not designed as a "small farm" program. It was designed to get people off the farm and make those who remained big. (6) The program has no concern with "development" whether it be agricultural, community or people development.

Recommendation:

That the Small Farm Development Program be re-evaluated including its purpose, objective and functions in light of promises of Messrs. Trudeau, Whelan and Olson. That the program with regard to agricultural development in the Atlantic Provinces undergo serious changes to adapt it to the requirements of the region.

Farm Credit

The Farm Credit Act of Canada empowers the Farm Credit Corporation to lend money to Canadian farmers at a subsidized interest rate on land and chattel secured loans. In addition, the Farm Credit Corporation lends under the Farm Syndicates Act to farm co-operatives, and is responsible for the administration of the Small Farm Development Program.

The Farm Credit Program in New Brunswick, and especially in Kent County, has not been a success. The approach of the F.C.C. in financing agriculture in Kent and much of the Maritimes, rests on the fact that they "refuse to make loans saying that there is no future in farming in Kent" (Bourgeois). On the other hand, "the federal and provincial loan policies, have been directed towards the establishment of commercial farms" (Bourgeois), for which they are prepared to make loans.

It is felt that the F.C.C. program as an instrument for rural development, has failed in New Brunswick because:

- 1) The program is geared towards large scale operations such as in Western Canada and Ontario.
- 2) The program does not encourage small farmers to get bigger and better, but tends to help big to get bigger.
- 3) With its complete concern for repayment capacity of the borrower, the program is unable to act as a vehicle for rural development and help out the small farmer.
- 4) Of the negative attitude of the corporation and its staff towards farming and farmers in Eastern Canada does not appear to be very positive and their knowledge of agricultural opportunities often seems somewhat lacking.

The Moncton F.C.C. office should be there to serve the farmer, not the federal treasury.

Recommendation:

That the F.C.C. in cooperation with the Small Farm Development Program establish a program aimed at agricultural development and not merely stabilization.

Department of Regional Economic Expansion

Since the late 60's, the Department of Regional Economic Expansion has been in charge of the development and implementation of regional development programs in Canada. Unfortunately, much like its predecessors, ARDA, it has been less than successful, especially in the Maritimes.

The DREE and some of its programs, have perhaps done more to hurt rural Canada than if they had done nothing at all. "You see, when you improve and make a deliberate attempt in Moncton to improve the social security things, housing and so on, it is a very important drawing card for people in Kent County. As some of the people in Moncton go on welfare, the labour from Kent County goes there and works at lower wages for a time—usually it is seasonal—but it is a pull, a tremendous pull. All of this has discouraged investment in rural areas, directly encouraged movement out of rural communities and facilitated further deterioration. Anybody who makes an investment in a rural community and sees the pattern of focus on urban areas attracting people, knows that his asset is not going to appreciate" (MacEachern).

Like its successor DREE, ARDA programs "had brought some hope to our province and to our country. In fact, one of its aims was to face agriculture as one of the possible methods to use the land and to systematically try to adopt the best methods of use in every case. One wonders today if it has not been decided that the best method of use of the land was not to let it be invaded by alders or to let it be sold for taxes to some financier or to American tourists" (Bourgeois).

As a result of inconsistent and ineffectual programs, "farmers are asking themselves several questions. Why does the federal government not place at the disposition of farmers or group of farmers equally important sums of money? Why is it so easy for a company to receive millions within several weeks, while the people in Kent County have to wait more than 10 years for the possibility of obtaining money from the ARDA program? Why do firms receive millions while a co-operative in Kent County cannot get any help?" (Arsenault). And the answers seem to come often and continuously for "the government has been announcing the ARDA program for ten years now. It has survived several elections and up to now, it still remains on the list of electoral promises" (Arsenault).

But in light of its past programs and ignorance of the rural community, they are told DREE is seriously interested in rural development. "I would be inclined to say that although we feel it is important to maintain the momentum that has been achieved in some of the urban centres in Atlantic Canada, if anything the shift and the momentum is to sectoral agreements affecting the primary industries including agriculture" (Love).

And as a result of this "new attitude" towards rural development, some "progress" is being made. Currently there is an Agricultural Development Subsidiary Agreement under the General Development Agreement with New Brunswick, which will cost \$7.5 M over 3 years (of which the federal contributions is 80%) and which terminates on March 31, 1977. The Agreement provides financial assistance to develop the following:

- a) Commodity areas such as blueberries, greenhouse apples, vegetables, sheep, beef, dairy, feed grain and protein production, and export seed potatoes.
- b) Farmers through farm management training, establishment of commodity groups, farm labour supply, and provision of professional and technical staff and information and demonstration services.
- c) Planning for future agricultural development through support of an Agricultural Resources Study group.

Recommendation:

That the DREE give higher priority to the development of rural Canada, and acknowledge the importance of agriculture in this development process and work closer with the local people when establishing a development program.

Kent County Pilot Project

This project was signed between Canada and New Brunswick on February 17, 1975 to identify development opportunities and assist in their realization through the coordinated and concentrated application of relevant federal and provincial programs. The total cost of this program is about \$2.7 M. of which \$2.2 M is the federal share. The project is a sub-agreement of the General Development Agreement signed between Canada and the province. As of June, 1976, some activity has taken place, a few projects have been initiated, some opportunities identified and a little encouragement for the realization of opportunities. It is hoped that the DREE program in Kent County has not been once again announced and forgotten. Perhaps this time Kent will have something to show for this \$2.7 M.

Recommendations:

That the proposed \$1.4 million for projects be increased to \$2.0 million of the total \$2.7 million program.

That the management committee for this program be enlarged to include 2 representatives of the people of Kent County.

Kent Economic Development

KED is a small industry incentives program which provides funds for loans up to a maximum of \$60,000 forgiveable at the rate of 30 percent of the approved capital cost for modernization and expansion or maintenance and repair of existing industries, or 50 percent of the approved capital cost of new industries. To be eligible, a project must involve manufacturing or processing of a maintenance or repair facility relating to the manufacturing sector. This project is administered by the N.B. Industrial Finance Board through the DREE and the Department of Economic Growth. The funds are provided by the Kent Pilot Subsidiary Agreement.

Community Improvement Corporation

The C.I.C. is a Crown agency of the Province of New Brunswick set up to administer the financing of the sub-agreements of the General Development Agree-

ment. In the case of the Kent Pilot Sub-Agreement, they also administer the project initiation aspect of the agreement. For this reason, they have regional offices in Buctouche and Richibucto where petitions for projects may be made. These petitions are then brought to the attention of the C.I.C. headquarters in Fredericton where a Management Committee meeting is held with the DREE representative to evaluate the project and grant.

The corporation is providing funds to several projects in the County. These include the Christmas Tree project in Buctouche, the Brussels sprout project in Rogersville, the cold storage processing plant for vegetables in Ste Marie de Kent, a trout farming project in St. Louis de Kent, oyster production co-ops in Buctouche, Richibucto Village and Grande-Digue, and the community center at Acadieville. They are also helping the co-op restaurant, l'Acayen.

The corporation is also responsible for the overseeing of the 5 regional councils, CRASE, CRAN, NRDC, CRANO and SEDC set up under the Assistance to Regional Development Organizations program.

New Brunswick NewStart Inc.

NewStart was a program of social action research formulated between 1965-67 and first implemented in New Brunswick in 1969. It was set up as a private company, 100 percent federally funded by the DREE. The shares issued, however, were owned jointly by the federal department and the New Brunswick Department of Education. The program originally had a mandate of five years to research the reasons why the populace of Kent County were relatively disadvantaged vis-à-vis other areas of Canada. Although NewStart was set up as a social research program, it soon became involved in many local projects and expanded its horizons to include them.

During its first 5 years of operation from 1969 to 1974, NewStart had an annual budget of between \$900,000 and 1 million dollars. When the program was extended two years, the budget for the final two years was reduced to \$1 M.

During their years of operation, NewStart initiated such programs as homemakers courses, information centers, day-care centers, kindergartens and helped residents write LIP projects and apply for OFY grants. It was involved in many Adult Training programs as well.

As NewStart's original expiry date approached, it was realized that some very valuable projects had been initiated and that these should not be abandoned. Therefore, NewStart's mandate was extended two years to March 31, 1976. These projects included the Grande-Digue Bay Oyster Co-operative, the Buctouche Oyster Co-operative, oyster operations in Richibucto Village, and Information Centres in Acadieville, a blueberry land re-utilization program and Arts and Crafts Projects involving large numbers of women.

On March 31, 1976, NewStart's extended mandate expired and the company was disbanded. Those projects which were deemed viable are being continued under

the Kent County Sub-agreement, under the General Development Agreement administered by DREE. These agreements are jointly funded by the federal government and the provincial government.

It should be noted that the New Brunswick program was one of social action and not economic. It had no dire involvement with agriculture, but worked towards rural development on the social side. What it failed to realize, is that without an economic base, the social element by itself will not continue to attract the population. In general, it appears that the project was extremely successful in what it attempted to do—but perhaps this was just not enough. One of the recommendations made at the Senate Committee's hearings was that "NewStart be given a competent staff in agriculture, in forestry, in fisheries, and in tourism, and that it be ordered to make a constructive work in developing our resources in co-operation with the people and other agencies which already work with them" (Bourgeois).

The apparent success of NewStart on the social side suggests it may perhaps serve as a model for a community oriented economic development association.

New Horizons:

New Horizons is a social service program administered by the Federal Department of Health and Welfare. The aim of the program is to provide retired people with the funds to carry out projects of their own interests and which fill local needs. Interested groups must consist of no less than 10 retired persons and must be able to show where subsequent funds may be obtained. New Horizon grants are meant only to start a project off and may not be used to maintain a project. Grants average around \$6,000 and must be approved by the minister of the department upon the recommendations of the field representative and the regional officer.

From April 1973 to May 1976, New Horizons funded 19 projects for a total of \$106,081. Most of these projects were for recreational purposes, 2 for drop-in centers, 2 for crafts and recreation and 1 to replace articles lost in a fire. It is doubtful that any had a lasting impact on the economic base of the community where they were located.

Recommendation:

That in economically depressed regions, the New Horizon program emphasize economic development projects.

Local Initiatives Program

The Local Initiatives Program is administered by the Federal Department of Manpower and Immigration. The aim of the program is to create job for those drawing unemployment insurance or welfare benefits during peak periods of unemployment. The projects are short-term, lasting a maximum of 30 weeks and terminating on or before June 26. Anyone is eligible to apply for LIP grants—individuals, associations, municipalities, etc.—so long as the project fills community needs, does not duplicate existing services, and will provide work for 60 man-weeks. These grants are meant to cover wages and minimal operating costs only; if money is needed for capital, it must be found elsewhere. When the program started in 1971,

the maximum grant allowed was \$75,000 and by 1975-76, this maximum was raised to \$100,000. Total grants are given by individual constituency determined by unemployment rate.

For 1975-76, 34 projects were approved for Kent County, totalling \$545,148. Most of these projects were community improvement or recreation projects. Four projects were sports oriented, 4 were concerned with farming, forestry or fishing. Since the start of the program, the same pattern has been followed throughout its existence. "I think that we could build something more solid and that would last longer for the economic development of our region than some Local Initiative Project" (Bourgeois).

Recommendation:

That in economically depressed regions the LIP emphasize projects which will have long-term economic benefits and play a role in overall regional development.

LEAP—Local Employment Assistance Program

The LEAP program is very similar to the Local Initiatives Program. The major difference is that the LEAP projects are funded for up to 3 years with a possible extension of 6 months. The goal of the project is to create jobs in an enterprise which will become self-sufficient after 3 years. The entire grant must be used to pay wages. The target population for these programs are the unemployables, those whose earnings are under the poverty level and people who work less than 26 weeks during the year.

In N.B., the total budget for the province is \$1,002,000 for 1976. Only one project has been funded in Kent County. Since May 1973, the Buctouche Oyster Farm has received \$648,000 in grants.

Opportunities for Youth:

The Opportunities for Youth program was started in 1971 under the Secretary of State. In December 1973, the program was transferred to Canada Manpower. Any student between the ages of 16 and 25 was eligible to apply for a grant. There was no maximum grant allowed but they were usually \$20,000 or less, the average grant being around \$8,000. Operating expenses of the project were to be no more than 10 per cent of the salary budget. Projects were evaluated by regional officers on local needs and employment situations.

During the years '73, '74, and '75, 43 projects were carried out in Kent County for a total expenditure of \$282,996. These projects were on the whole of a recreational or social nature; some were on a cultural level and 2 projects were of an information nature.

The program was discontinued in the early months of 1976.

"It seems to us that very often, these two offshoots (LIP and OFY) of federal policies only serve to produce wool blankets or baseball teams. Of course we need them however they should not be over-estimated. Farmers think that these projects

should be directed towards the community, such as projects involving young people on farms" (Arsenault).

DREE Grants

From July 1, 1969 to May 31, 1976, 7 projects have been aided by DREE grants in Kent County. The total grants were for \$332,651 while total capital expenditures for the projects were \$1,137,951. Via the 7 projects, 83 direct jobs vere created. But again, these projects had no direction in an overall economic plan.

Transfer Payments From The Federal Government To The Province

Unemployment in the Maritimes has consistently been higher than the national average. In Kent County, on a yearly average, it is 40 to 50 per cent higher than for the province, in addition to seasonality of employment. For example, in 1970 transfer payments accounted for 22 per cent of all income in Kent County.

Unemployment Insurance

Unemployment insurance payments have been higher in Kent County and rise significantly each year. In 1973, \$3.8 M was paid out in benefits, \$4.5 M in 1974 and \$6.5 M in 1975.

Welfare

Social welfare payments also accounted for a significant per cent of the total income. Presently there are approximately 1,088 heads of family receiving welfare benefits at an average of \$325 a month. This means that yearly, some \$4.25 million is paid in welfare in Kent County.

"For some years now, it seems that Welfare is becoming a refuge for the victims of bad government policies.

Welfare does all it can to discourage the recipient, through a number of stupid laws, to work at a job, however small it may be.

Do you not think it is about time the government should stimulate these people to work instead of encouraging them to do nothing. Farmers need farmhands and very often a welfare recipient needs work to regain the will to live.

We hope that, in the future, Welfare will not be the only alternative for farmer's" (Arsenault).

Recommendation;

That the federal government empowers the Unemployment Insurance Commission to provide incentives to individuals and organizations in economically depressed regions to decrease the unemployment rates in the form of short term grants to newly employed individuals and new employers, equivalent to one-half the payment the individual would have received from the U.I.C. over a period of 2 months.

Feed Freight Assistance Program

Shortly after World War II, a federal act was passed allowing for a transportation subsidy on the movement of Western feed grain to Eastern Canada. The purpose was to encourage the establishment of an eastern livestock industry by providing feed grains at prices close to those paid in the west. This program was somewhat successfull as a significant livestock industry developed in Ontario and to a lesser extent in Quebec and the Maritimes. With the establishment of grain and corn production in Ontario and Western Quebec, the Minister of Agriculture, Mr. Whelan, announced June 1976, the cancellation of the subsidy to Ontario and Western Quebec livestock producers. However, this program is to continue for Eastern Quebec and the Maritimes.

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Unfortunetely, over the past 30 years, little has been done to encourage grain and forage production in the Maritimes. Western grain was so cheap no incentives existed for local production. It is hoped that present changes would give some incentive for the development of grain and forage varieties specifically adaptable to the Maritimes and that local production will ensue. However, this is fully conditional on the development of "incentive programs" that work, a type of program which the federal Department of Agriculture has not been good at in the past.

Recommendation:

That the Federal Minister of Agriculture undertake the establishment of a Regional Feed Development Incentive Program for the Atlantic Provinces at an early date.

National Farm Products Marketing Legislation

With the advent of the NFPM legislation of the early 1970's, orderly marketing became the slogan for eggs and later turkeys. This legislation establishes the Canadian market and distributes it by province according to the size of past production and marketing. What in fact this does is maintain the status quo. With respect to New Brunswick and the Maritimes, it guarantees that their status as a net importer of eggs and turkeys will continue and guarantees this market to other provinces. As a result, New Brunswick is not allowed to move closer to self-sufficiency by increasing production. The whole concept as outlined in this legislation is detrimental to the growth of agriculture in the developing regions. Unfortunately, if all other provinces sign, so too must the Maritimes or be the dumping ground for other sellers. In actual fact, the legislation appears to have been established as a stabilization measure for the well-to-do provinces who are attempting to protect their historic markets in the agriculturally depressed regions.

Agricultural Research

The federal Department of Agriculture Research Station in Fredericton is commissioned with the task of developing suitable crop varieties for the Maritimes. Unfortunately, the past record of the Fredericton station is not good. Little, if anything, has been done in finding new varieties of grain, forages and vegetables readily adaptable to the Maritimes region. Likewise, little has been done in livestock nutrition. The station has basically become a potato station showing little interest or support for work in other crops. The present budget of the research station is \$2.2 M

of which much goes for the salaries of staff who should be more in touch with the needs of New Brunswick agriculture. With research budget and staff cuts, it is felt that the federal Department of Agriculture is basically, over a period of time, jeopardizing the effectiveness of this station at a most critical time. The need for this station is tremendous if it would only address itself to the real problems of Maritime agriculture.

Recommendation:

That the federal research station in Fredericton be immediately commissioned to undertake research into the development of new crop varieties for the Atlantic Provinces in vegetables and feed crops and grains.

Agricultural Stabilization

This Act supports the price of specific agricultural commodities at 90 per cent of the 5 year average and provides an adjustment based on a change in the costs of production. In 1975-76, New Brunswick payments were \$4.5 M for potatoes and beef. In addition, another \$1.6 M was paid to dairy farmers by the Canadian Dairy Commission for industrial milk.

Some of the basic problems have been overcome with recent amendments cited above, however many feel that "price stabilization programs where we use 90 per cent of the last 5 years' average which, in an inflationary economy such as we have, means nothing" (MacEachern).

This program provides some security for Maritime farmers but certainly does not provide the type of incentive perhaps required to undertake the risk involved with the great fluctuations of commodity prices.

CANFARM

The Canfarm is a personalized computer farm accounting system operated by the federal and provincial Departments of Agriculture. There are 209 New Brunswick farmers on the system and less than 10 in Kent County. The system is aimed at the large, well educated farm operator and requires training and plenty of time if it is to be used. CANFARM is of dubious value to the majority of farmers in developing regions and the enrolment in Kent substantiates this. The other problem in Kent is that there are no field services available and especially none in the French language. There is a need in Kent County for a farm management consultation service which would provide a simple version of CANFARM to the farmers.

Provincial Programs

The New Brunswick Department of Agriculture and Rural Development is responsible for the formulation and administration of agriculture and rural development programs in the province.

Research

The New Brunswick Department of Agriculture relies almost entirely on the federal research station for all aspects of agricultural production research. In the

area of market research, the department acknowledges its responsibility but little else. It is only since the announcement of the "Resources Study" that any market research has been conducted at all. It is hoped that these market studies would lead to the organization of marketing systems and the appropriate production capability.

Recommendation:

That the New Brunswick Department of Agriculture and Rural Development establish an agriculture and food marketing group as well as re-establish the recently disbanded rural development branch, but with a new and enlightened mandate.

Education

An effective agricultural education system is essential to the farm community if it is to satisfy its need for qualified new farmers, for the continued development of the managerial and technological skills of its practising farmers and for a responsive extension system. Without access to such a system the farm community will lose its ability to compete with other areas more favourably served by an education system. In areas such as Kent County, an easily available education program will not only benefit the practising farmer, but will also spark and encourage an interest in agriculture among the young people, particularly if instruction is available in their mother tongue.

For a complete education system, four levels must be considered:

- 1) the initial education—primary, secondary, summer employment;
- 2) the vocational education—degree, diploma, apprentice, etc.;
- 3) the continuing education—formal, informal;
- 4) the extension education—information system.

In New Brunswick, agriculture courses are not available in the secondary schools and have not been available for some twenty years. When the Regional High School system was first established, courses were provided; indeed in rural areas, the principal was required to be qualified in agriculture. These courses were not well patronized and were dropped from the curriculum.

Regional Institutions:

In the Maritime and Quebec regions, there are 22 universities and colleges. Of these, only 3 institutions offer degree courses in agriculture. They are Macdonald College (McGill) in Ste Anne de Bellevue, P.Q., Laval University in Quebec City, and the Nova Scotia Agricultural College in Truro, N.S.

Macdonald College:

At Macdonald College, degrees are offered in Agriculture, Agricultural Chemistry, Agricultural Economics, Agronomy and Animal Science at the Bachelors,

Masters and Doctorate level. A diploma program, which lasts two years, is offered in Agriculture and includes courses in Agricultural Engineering, Agronomy, Animal Science, Biology, Chemistry, Economics, English, Extension Methods (leadership and communication), Horticulture, Mathematics, Microbiology, Physical Education, Physics, Soil Science and Woodlot Management. The emphasis of the program is on the practical side.

Laval University:

The Université Laval offers a Bachelors degree in Applied Science from the faculty of Agriculture and Nutrition Sciences. A Master's degree is given in research and a PhD is obtainable. Degree programs under Agronomy include Bio-Agronomy, Agro-Economy, Rural Engineering, Food Products and Consumer Affairs. After much encouragement and promotion by the Senate Standing Committee on Agriculture, there are now some 20 French-speaking students of the province of New Brunswick working on an Agriculture degree at Laval who, it is hoped, will soon return home to contribute to agriculture in Kent and elsewhere in the province. Quebec Agricultural Technology programs are offered at two institutions, LaPocatiere and St. Hyacinthe in Agricultural Technology, Soil Technology and Rural Engineering in conjunction with the Technology programs are offered at two institutions, LaPocatiere and St. Hyacinthe in Agricultural Technology, Soil Technology and Rural Engineering in conjunction with the provincial departments of Agriculture and Education. Laval offers the only degree courses exclusively in French.

Nova Scotia Agricultural College:

The Nova Scotia Agricultural College in Truro, offers the first two years of a four year course leading to a degree in Agricultural Science and the first 3 years of a five year course leading to a degree in Agricultural Engineering. The degree in Agricultural Science may be completed at Macdonald College, the University of Guelph or the University of Maine. The degree in Agricultural Engineering can be finished at the Nova Scotia Technical College. Diplomas of the college are obtained after completion of two years in Agricultural Science and after three years in Agricultural Engineering.

Technician and Technology courses are also offered at N.S.A.C. These include Technician, Agricultural Business, Animal Science, Plant Science, Agricultural Engineering, all two year courses. Among the technology courses are included technology Studies for Graduate Technicians, Studies in Biology and Chemistry Laboratory Technology and in Ornamental Horticulture Technology.

In addition, the New Brunswick Community College, through the Grand Falls Trade School offers occupational training in Agriculture: General Farming. This program is given in French and is designed to provide the student with the basic knowledge required to be successful in the farming industry.

On the continuing education side of the picture, of greatest note are the Vocational Training Courses given by the Nova Scotia Agricultural College, through Canada Manpower. Courses are offered in many subjects and in many locations throughout the Maritimes.

Perhaps the most positive activity in agricultural education in New Brunswick is taking place at the Université de Moncton. After three years of encouragement and promotion by the Senate Standing Committee on Agriculture and after numerous meetings with representatives of the Université de Moncton and the Université Laval, it now appears that an agreement is expected to be reached between the Université Laval and the Université de Moncton to provide courses in agriculture in French at the Université de Moncton. A student will be able to complete the first two years of the Agronomy degree courses at the Université de Moncton and then complete the final two years to obtain the degree at Laval. Hopefully, this program will start in the fall of 1977.

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Memramcook Institute:

The Memramcook Institute now stands on the old site of St. Joseph's College. In 1898, St. Joseph's obtained university status but when it became affiliated with the University of Moncton in 1963, it renounced its university status and once again became St. Joseph's College. In 1965, the site of Memramcook was abandoned as the College moved to Moncton, where it ceased to exist in 1973. When the College moved to Moncton all courses in agriculture were stopped.

The Memramcook Institute was established in 1968 by the provincial government as a non-profit corporation. It is essentially a residential centre for adult training and education and research. There are only two ongoing courses offered at the institution: French as a second language and Adult Training Skills. All other courses must be funded by those wishing to take them. For this reason, there are at present no courses offered in agriculture; there are no funds. The farm is maintained as a tool for teaching, however, and any profits made from it go back into the institution. The land and buildings themselves are rented to the institute from the province on a 99 year lease. At one time, funds for training programs were provided by Canada Manpower but have since been discontinued.

The Needs

Perhaps the best way of estimating the information system is by listening to the people themselves. Throughout this committee's hearings, there were repeated pleas for more information on existing programs. Students do not know which programs are open to them and which careers exist in agriculture. Farmers are not always aware of programs available and if they are, cannot find adequate information about them to benefit from them. There is clearly a need for a well-integrated information system in the rural areas.

There is a severe shortage of agricultural extension workers able to work in the French language. Ideally this gap should be filled by residents of the area who have received advanced education. However, agricultural training in French is not available in New Brunswick and those who wish to study in French must raise sufficient money and leave their homes to move to Quebec where such training is available. This seriously restricts those who are able to go. Those fortunate enough to complete their studies often do not return and so the gap remains. Clearly, the education facilities available for agriculture and rural development in New Bruswick are not adequate to fill the needs of the residents, particularly the French-speaking residents.

Extension

The Department of Agriculture and Rural Development is responsible for the dissemination of information on production and marketing to farmers in Kent. It is extremely unfortunate that the extension program does not have a good reputation among farmers. The agricultural representatives for Kent County and Eastern New Brunswick have, in the past, been well meaning individuals but were not given the proper training in order to provide the type of counselling service required by the farmers. There is a deep feeling in Fredericton extension circles that Kent County is so very far from Fredericton and a shortage of French-speading extension agents exists. In general, officials in Fredericton as well as in Moncton, are very pessimistic about the agricultural potential of Kent and as a result, the extension service in Kent and Eastern New Brunswick functions accordingly.

Recommendation:

That the New Brunswick Department of Agriculture and Rural Development undertake an early revamping of the extension branch with clearly defined objectives and functions which will fill the need of both English and French speaking New Brunswick farmers.

Crop Insurance Program

In 1973, New Brunswick introduced a crop insurance program which was to be financed 50 percent by farmer premiums and the other 50 percent of the administration costs split by the province and the federal government. The program was designed with the same structure as the successful programs already established in Western Canada. In the 1974-75 crop year, the program was in serious trouble with a loss ratio of 5.81 on a payout in indemnities of \$5.81 for every dollar collected in premiums. This compared to a loss ratio of 1.41 in Nova Scotia and .75 in Quebec. Early sales figures for 1976 show that the amount of insurance sold has decreased for all crops.

New Brunswick is new to crop insurance and is going to have to stimulate participation by farmers in order to broaden their risk base. This may be accomplished by:

- 1) Reducing the farmers' share of premium to 33 1/3 percent when they first farm and increasing it to 50 percent over a period of five years. (Extra funding could be provided from the federal government).
- 2) Initiate research projects to determine sound insurance rates for a larger number of crops.
- 3) Extend the spot loss insurance, such as hail, to other perils such as floods and washouts. (Research will have to be carried out to determine exact rates).

These factors would help to increase participation and spread risk, thus providing a self-sustaining program which would not require constant federal and provin-

cial assistance. There is, however, strong justification for a high level of federal support at the present time, which would be reduced as the program moves towards self-sufficiency.

Recommendations:

That the program be stimulated by:

- a) reducing the farmer's share of premiums to 33 1/3 percent at first and increasing up to 50 percent in 5 years;
- b) initiate research programs to determine sound insurance rates for a larger number of crops;
- c) extend spot loss in insurance such as hail to other perils such as floods and washouts.

Family Farm Improvement Program

This program has been established for the year April 1976-March 31, 1977, to assist farmers by providing some of the capital required to improve land and buildings. It is designed to provide in consolidated form present incentive programs, offer new programs and to assist in identifying new programs. This program is a series of grants available to farmers wishing to develop their land or put up new buildings. The maximum payment to any one farmer is \$10,000 in a lifetime.

The program itself offers some help for the development of farms in Kent County. However, it does have the same constraints as previous programs. It is questionable that the New Brunswick Department of Agriculture has the human resources to communicate and implement these programs. No program can be successful if people do not know of it. Much of this program relies upon the advice and help of the agriculture representative whose ability to help farmers in Eastern New Brunswick is somewhat questionable.

Assistance to Regional Development Organizations

Financial support is available for the establishment and operation of regional development organizations. This program is to assist community leadership for economic and social development. Grants are available to cover the total costs of operating the organization and its programs.

CRASE—Conseil régional d'aménagement du Sud-Est du N.-B. Inc.

CRASE is one of the 5 regional councils set up under the Assistance to Regional Development Organizations program funded by the New Brunswick Department of Agriculture and Rural Development. It was initiated in 1966 as a social animation program to be a citizen's pressure group on the government. They are supposed to be involved in training and organizing the local people and doing research project such as market studies. Unfortunately, CRASE has been ineffective in implementing meaningful programs and projects to help the people of Kent.

Recommendation:

That an overall evaluation be made by the people of Kent of the regional council concept which includes CRASE as to its objectives and functions in serving the economic development process in Kent, and how best such a council can serve it.

Kent Industrial Commission

The commission was set up under the General Development Agreement to act as a coordinator of programs and an information bank for the county. They are funded by 3 levels of government—provincial, federal and municipal. Seven municipalities, Rogerville, St-Louis-de-Kent, Buctouche, Rexton, Richibucto, St. Antoine and the Indian Reservation each name one representative to the commission. It is their task to promote industrial growth in the area and to inform the people of the opportunities open in the county.

Conclusions:

In general, it is quite obvious that government programs, both federal and provincial, aimed at the development of rural areas—have seldom succeeded in Kent County or elsewhere. The preceding critique of government programs identifies a number of common mistakes embodied in many of these programs.

- 1) Paternalism overrides all else in agriculture and rural development policy. There are federal-provincial agreements, never federal-provincial-people agreements.
- 2) Many national policies when they are applied nationally are not suited for regional economies such as we have in Canada, and should be adapted to regional needs.
- 3) Shortage of experienced and knowledgeable implementation officers hinders the operations of most programs.
- 4) The lack of incentives in programs for people to help themselves is too often missing.

"I would say that more must be done between the provinces and the federal government in simply sitting down with people in Kent County, or anywhere else in the Atlantic Provinces, in an attempt to reach a tripartite agreement, not federal-provincial, but one which would commit the local people also" (Kristjanson).

- 5) An imposition of bureaucratic wishes upon and against the farmers' will is all too common.
- 6) Failure to listen to the people.
- 7) Lack of any integration of agricultural and rural development programs at the federal and provincial level and between departments.

"Furthermore, I think that in the future, there should be improved co-operation between different departments in the formulation of policies.

For instance, should there not be an understanding between the Department of Agriculture and that of Welfare that the owner of a small farm should be encouraged to remain at home where he could earn part of his living rather than to let him go to the city and let Welfare support him all year long?" (Bourgeois).

- 8) The overt pessimism of most agricultural bureaucrats towards what can be done in the opportunities that exist.
- 9) Lack of encouragement for private enterprise and community initiative.

"We also need programs aimed towards the encouragement of private business investments, including agriculture, to provide increasing intercommunity dependence, increased employment and income, development and use of land, water and other natural resources including the human resources in these rural areas, thereby enhancing the quality of the environment for people and business in rural areas" (MacEachern).

Chapter VII

WHAT SHOULD BE DONE FOR KENT: A STRATEGY FOR DEVELOPMENT

"We are aware that all the problems in Kent County are not caused by agriculture nor will they be solved by agriculture. Farming is one of the many professions which go into the makeup of the rural community in Kent" (Sullivan).

Upon acceptance of the need for agricultural development and the commitment to it, complete understanding of just what a modern agriculture is and what it requires is necessary.

Agricultre in 1976 does not happen only on the farm. Farming is still central but each farm becomes only the assembly line utilizing and combining many different types of inputs drawn from throughout the economy.

Some of the inputs are provided by the commercial agrisupport activities which include the manufacture and distribution of farm inputs, marketing and processing services for handling farm products, and credit for financing farm operations.

Other inputs are provided by the non-commercial agrisupport activities—services such as research and education.

These three components of the agricultural system operate in an agrimilieu which applies influence to all these activities. Some of these influences are economic:

- a) the demand for food products;
- b) extent of non-agricultural opportunities;
- c) price and tax policies;
- d) income distribution;
- e) transportation facilities;
- f) population growth.

Other factors that make up this milieu are political:

a) land tenure policies;

- b) development policies;
- c) agricultural development policies;
- d) strength of the farmer lobby.

Still others are cultural:

- a) traditions and values of people;
- b) structure of society;
- c) education level.

All of these taken together form a general environment of opportunities, constraints, inducements, and attitudes that set the rules of the games within which farming and support activities must function and grow.

In proposing any development strategy, it is necessary to recognize that farming is not isolated but is an important part of the overall environment to be developed. The task of proposing an agricultural development program is to ensure an overall healthy development of farming, the support activities and its total environment.

However, the development of the environment—Kent County—must start somewhere, and agriculture can and must be the leader if Kent is ever to return to the important role it once played. And agriculture in Kent will be the leader because it has a lot going for it: market opportunity, desire of the people, land and climatic capability. What is necessary now is to design a strategy for development which will help agriculture move in a leadership role.

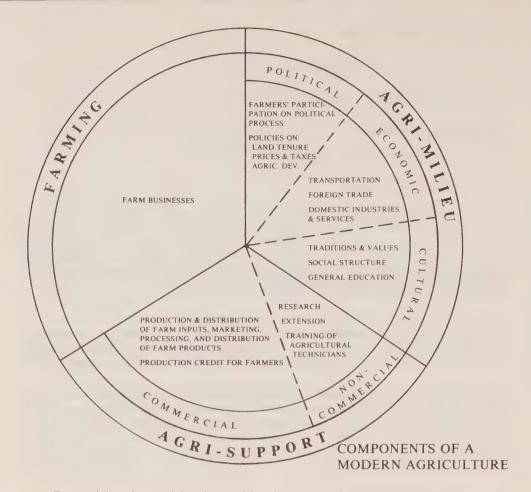
Recommendation:

That the federal and provincial governments and the people of Kent go on record as committing themselves to a consciencious long term agricultural development effort in Kent County.

The Vehicle: Kent County Development Association

Faced with the multitude of federal, provincial and local governmental organizations in Kent County, all of whom are involved in the development tasks, it is evident that the two important elements are missing:

- a) Leadership is missing as no one organization is responsible for the development of Kent—on the contrary there are many, all with some part of the responsibility;
- b) the people's voice is missing as there is really no organization that represents the communal interest of the people of Kent.



Recognizing the need for the total involvement and co-operation of the people of Kent along with the federal, the New Brunswick and the local governments, this committee sees the need for the establishment of a Kent County Development Association, organized and run by the people of Kent County. It is suggested that since a leadership organization of the people is so vital that funds for this corporation be made available under either the Regional Development Council Assistance Program or under the Kent County Pilot Project. It is imperative that Kent County have a united development agency which represents all the people in agriculture, forestry and fisheries, who can speak on behalf of the county in discussions with governments. It is suggested that upon establishment of this association, priorities be set and a development plan be formalized by the people of Kent with outside help only if and when invited. In view of the overall opportunities facing Kent County, it is expected that agriculture would probably be the number one priority, followed by forestry inland and fisheries along the coast.

In light of the present role of the Community Improvement Corporation as the administrator of funds under the Kent County Pilot Project, it is recommended that the C.I.C. be responsible fo the establishment of the Kent County Development Association and the initial financing of its operation and development. The Senate

Standing Committee on Agriculture is anxious to pursue this matter further, and would like to meet with all parties involved shortly after the release of this report, to provide assistance in determining procedures for the establishment of the Kent County Development Association.

It is felt that the KCDA be composed of a board of directors of those individuals that have a stake in the development of Kent's resources-agriculture, forestry and fisheries. It will be the responsibility of the C.I.C. to work with the local producers association such as WAKE and FAFAM in agriculture to determine members of the KCDA to represent each of the resource sectors.

After establishment of the board of directors and election of officers, the C.I.C. must work with the board to establish in detail the priorities of the association. This can only be done after the establishment of the board if the people of Kent are to really be involved. Shortly thereafter, a president must be elected and appointed by the board who will be in charge of the everyday operation of the association.

The C.I.C. and the new board of directors must ensure the co-operation and involvement of the organizations presently active in Kent by establishing a KCDA advisory committee composed of one member from each of these organizations presently active in Kent.

After the firm establishment of the KCDA is ensured, the C.I.C. should turn over to the KCDA the responsibilities of its officers in Buctouche and Richibucto and rely upon the KCDA to recommend how the Kent County Pilot Project funds should be spent in Kent and deal directly with those requesting funds.

If in the future it was deemed that the association should become commercially active, the Kent County Development Corporation could be established.

Recommendations:

- a) The establishment of the Kent County Development Association organized and run by the people to speak on behalf of the people and that governments recognized this body as the main spokesman for development in Kent County and that the activity of all government staff in Kent be in line with the development plan for the county.
- b) That the Kent County Development Association immediately undertake the preparation of a Kent County development plan, emphasizing priorities and specific strategies for development.
- c) That the Kent County Development Association immediately establish agricultural production incentives aimed at encouraging individual planning and strategies for development by farmers by offering low interest long-term loans with up to 20 percent, forgivable if the individual development plan is followed and the desired results achieved.

Government Co-operation

The federal government departments responsible for programs in Kent County (DREE, Manpower, Health & Welfare, Agriculture) and the provincial government departments (Agriculture and Rural Development, Education, Economic Growth) must learn to integrate these programs in Kent County so that they work together to help achieve the common development goals of Kent as outlined by the residents. It is unfortunate that to this day, a large amount of money has been spent in Kent with good intentions but often has been at cross purposes and without any consultation with the community.

Recommendation:

The establishment of an interorganization federal-provincial-people committee to coordinate government support for development programs as outlined by the Kent County Development Association.

Identification of Opportunities and Needs

Many economic opportunities exist in agriculture in Kent and while it would not be wise to attempt too many projects at one time, it is also unwise to take a chance in losing them by procrastinating. It is imperative that both short and long term opportunities be identified, and that both a short and long term development strategy be devised which takes into full consideration the present situation in Kent and the realistic steps required for change.

Recommendations:

That the Kent County Development Association in co-operation with local governments undertake a long term contractual agreement with an experienced agriculture and food marketer on an incentive basis of a basic salary and costs and a percentage of the increase in annual sales which provides an incentive for success.

The federal and provincial departments of agriculture should put at the disposal of this marketer and the Development Association, technical experts as required.

Communicating Opportunities and Assisting Farmers to Adapt

After specific opportunities have been identified and a development plan established, both the opportunities and the strategy of how they will be achieved must be communicated to the farmers. Subsequently, help must be provided to all farmers wishing to avail themselves of specific opportunities. They must be provided with the production techniques as part of an integrated package of financial assistance, and extension support. This must be available at all times and handled meticulously.

Recommendations:

1. That the Kent County Development Association enter into a long term contractual agreement with a top notch agricultural production specialist

who is highly competent in production of all crops as well as livestock. Special emphasis must be given to his ability to motivate and lead farmers. He should be compensated on an incentive basis as is the marketer.

- 2. The provincial Department of Agriculture and Rural Development should provide back-up support for the Association production man through its agricultural representative service and its research activities. All activity of government staff with respect to agricultural production should be coordinated with this individual. The corporation production man should attempt to apply the county agricultural development plan on a regional and farm basis, whereby production planning and development would be worked out on an individual farm basis.
- 3. That the Kent County Development Association hire senior agricultural students from the Laval University, the Nova Scotia Agricultural College, and Macdonald College during the summer months to help desing individual development plans for each farmer seriously looking to the future. These students should be supported by both the federal and provincial Departments of Agriculture and be able to work with the farmers in their own language.

Support Services

In order to be successful, this approach will necessitate the focusing of all related services on the individual farm. In essence, there are five main categories of services that must be delivered in a carefully coordinated manner.

Production Oriented Services consisting of both general and technical extension support. This service will aim at improving utilization of resources and production techniques through the provision of technical guidance and training and general extension support. It will incorporate and expand the existing agronomic, livestock, general extension, research, training, farm and home management services, and youth development programs.

Recommendations:

1. "The establishment of demonstration farms in Kent County for hogs, beef, and vegetables, grain and forages through contractual arrangements with local farmers and the continued support in their operation by the Kent County Development Association and the Department of Agriculture. And that this demonstration farm be involved in the teaching of short courses in agricultural technology and production.

"It struck me that it would be very useful if there were some farms, under this type of agreement, (demonstration farms), that could be put under forage production, grain production and beef production, so that within ten or twenty miles from home, a Kent County farmer could drive over and see what is being done". (Senator Argue)

2. That the New Brunswick Department of Agriculture and Rural Development in co-operation with the Kent County Development Association

contract with Laval University, Nova Scotia Agricultural College, Macdonald College or Memramcook Institute for a series of short courses on agricultural production to be held at several locations throughout Kent County during the late fall or winter.

"It has been my feeling that technology has not been accepted and put into practice as fast as we would hope" (Weaver).

- 3. That the federal agriculture research station in Fredericton undertake immediately the development of new varieties of grain, forages, and vegetables specifically adapted to the Maritimes.
- 4. That the present 4-H program in Kent County be expanded into the school system and that students be encouraged to participate.

Management and Resources Services

This program must assist the farmer in assessing his needs and potential in terms of planning, resources and management. It will also provide an integrated package of capital, credit and other kinds of financial assistance needed to support existing, new and replacement farmers.

In addition careful consideration of the land resource will be necessary so as to evaluate its greatest potential.

These services must be integrated and closely coordinated with production oriented field services.

Recommendations:

- 1. That the New Brunswick Department of Agriculture in co-operation with the Kent County Development Association introduce a farm management and planning service whereby annual on-farm visits are made.
- 2. "My second observation would be that until the province comes to grips with a basic land use aspect of the problem nothing very significant is going to happen. Provinces have a great deal of difficulty with this" (Kristjanson).

That the Province of New Brunswick impose a freeze on the sale of land out of agriculture in Kent until such time as some of the new initiatives in agricultural development have had a chance to encourage the continuation of agriculture in Kent, and that the province seriously consider the establishment of a land bank where farmers could either purchase land or lease it from the bank on a long term basis at a charge of lower than the normal rate of interest. For "when used in conjunction with deliberate attempts to encourage new entrants, land banks can be a most effective means of assisting in agricultural development" (MacEachern). Kent cannot afford further losses of agricultural land.

3. That the New Brunswick Department of Agriculture in co-operation with the Kent County Development Association, contract with Laval University, Nova Scotia Agricultural College, Macdonald College or Memramcook Institute for a series of short courses on farm management to be held at several locations throughout Kent County during the late fall and winter.

"We do not, in my opinion, have sufficient managerial skills in order to cope with these very sophisticated demands in this day and age for production of these prospective commodities" (Weaver).

- 4. That the F.C.C. in co-operation with the Small Farm Development Program establish a program aimed at agricultural development and not merely stabilization.
- 5. That the New Brunswick Department of Education consider the inclusion of introductory courses in agriculture and rural development at the high school level and take the necessary steps to promote interest among the students.
- 6. That the New Brunswick Departments of Agriculture and Education proceed immediately to re-establish an agricultural program at Memramcook Institute on the site of St. Joseph's University Farm at the diploma and short course level.
- 7. That the New Brunswick Departments of Agriculture and Education proceed immediately to support the University of Moncton in the establishment of ties with Laval University Faculty of Agriculture.

Marketing Services

These programs must provide a totally integrated package of services to help move the commodity from the field to the market.

Market Information and Prices:

It is most important that daily market opportunities and prices be identified and communicated to the farmer.

Recommendation:

In co-operation with the Kent County Development Association, the New Brunswick Department of Agriculture should provide daily market prices and quotations on livestock and crops through the local radio stations in both English and French.

Storage, Cleaning and Packaging

It is most important that local storage facilities are available to prolong the market period of local commodities. In addition, if long term customers are to be obtained, proper cleaning and packaging facilities must be available.

Recommendations:

- 1. That the Kent County Development Association in co-operation with the engineering branch of the Department of Agriculture and local producers co-operative, evaluate the present storage, cleaning and packaging capacity and develop a plan for future needs in conjunction with the long term agricultural development strategy.
- 2. That as the need for new storage facilities becomes necessary in order to meet market obligations, the province and the federal governments be prepared to provide 50 percent grants and the remainder as a long term low interest loan for the construction of the facilities.

Transportation and Distribution

In order to fulfill co-operative marketing from Kent County, a complex transportation and distribution system will be required.

Recommendation:

That the Kent County Development Association marketer prepare, in conjuction with the overall production and marketing program, a system which includes as many of the local truckers as possible to aid farmers in getting the product to market.

Local Processing

In some cases, local processing of a few selected commodities may be possible and advantageous.

Recommendations:

- 1. The Kent County Development Association marketer should, after identifying market opportunities, communicate to local co-operative and entrepreneurs with specific information on markets, prices, quantities and specifications.
- 2. That the Department of Regional Economic Expansion and the provincial Department of Industry coordinate closely with the Kent County Development Association marketer and local business concerns, the possibilities of local processing.

Sales Contracting

In order to achieve these opportunities and develop some need for the proposed services, someone must ultimately sell Kent County's agricultural produce. But in order to sell a product, the product must be available at the right time, at the right place, in the right quality.

Recommendations:

- 1. That the Kent County Development Association become an agent for marketing Kent County agricultural produce outside Kent, and that the establishment of both long term sales and purchase agreements be the objective of the marketer.
- 2. That the Kent County Development Association be responsible for the promotion of Kent County products both within and outside Kent County.

Co-Operative Marketing

As the size of most farms in Kent is not conducive to individual marketing, it is suggested that a form of co-operative assembly and marketing is most appropriate in co-operation with the Kent County Development Association.

Recommendations:

- 1. That the New Brunswick Department of Agriculture encourage the establishment of local co-operatives by providing legal and financial expertise on a cost basis.
- 2. That the Kent County Development Association work closely with the local co-operatives and citizen groups in advancing the co-operatives movement in Kent.

It is felt that the recommendations outlined herein, although not all inclusive, could provide the base for a development strategy designed to help achieve many of the agricultural opportunities identified by this report.

But What Will It Cost and Who Will Pay?

Yes, it will cost money but then again anything that is worthwhile does. But the short term costs would be insignificant compared to the long term economic and social benefits.

The money is available. There is a \$2.7 million Kent pilot project which would well fit the proposed development strategy.

Recommendation:

That the Kent County Pilot Project finance the set up and operation of the Kent County Development Association.

Local Initiative Program

In addition, in 1975-76, a total of \$545,148 of Local Initiatives Projects money was spent in Kent on many wothwhile socially and culturally oriented projects, which unfortunately, added little to the economic base of the community.

Recommendation:

That in the future, all LIP grants to Kent County be made in co-operation with the Kent County Development Association and be in accordance with the Kent County Development Plan.

New Horizons

The New Horizons program from 1973-75 spent \$106,081 in Kent on 19 socially beneficial projects, but once again added little to the economic base.

Recommendation:

That in the future, all New Horizons grants for Kent County be made through the Kent County Development Association and be in accordance with the Kent County Development Plan.

DREE Grants

And from 1969 to 1976, DREE grants of some \$332,000 were made to Kent County for a number of economic projects, but unfortunately there was no direction and development of a complementary milieu required for long term success.

Recommendation:

That in the future, all DREE grants for industrial development in Kent be made in co-operation with Kent County Development Corporation and be in accordance with the Kent County Development Plan.

Unemployment Insurance and Welfare Payments

In addition, in 1975 some \$6.5 million was paid out in unemployment insurance, and an additional \$4.2 million in welfare to Kent residents.

Recommendation:

That the federal and provincial governments award to the Kent County Development Association for each worker taken off the UIC and Welfare role by the Kent County Development Association development projects, one-half of the worker's project UIC or Welfare payment he would have received for the first year and one-quarter for each of the following 2 years.

Other Programs:

Other programs such as NewStart which had an annual budget of some \$1 million from 1969-74 and some \$1 million for the remaining two years and the

Opportunities for Youth program which spent \$283,000 from 1973-75 in Kent, have basically failed to have a significant long term impact upon the development of the county.

Recommendations:

- 1. That in the future, all new government financed projects affecting Kent be discussed with the Kent County Development Association and the people of Kent before the fact.
- 2. That all new programs initiated by the federal or provincial governments be coordinated with the Kent County Development Association and be in accordance with the Kent County Development Plan.

In summary, it is suggested that the failure of governments to alleviate the problems of Kent County is not one of neglect but one of parternalism and lack of awareness of appropriate solutions.

"A program of aid to keep farm folk in business and to foster a return to the land on the part of others, wouldn't solve all the problems of such areas as Kent County or Northern New Brunswick. But every little bit helps and if people could be helped to do what they enjoy doing, and profitably at that, then it is worth looking into" (Senator Michaud).

It is the acknowledged responsibility of the federal and provincial governments of Canada to encourage the achievement of the potential of all its citizens.

"Given that the people of Kent County sincerely want to develop opportunities in agriculture, the joint assistance of the federal and provincial governments can be made available through ARDA and other continuing programs" (Whelan).

CONCLUSIONS

1. KENT COUNTY CAN BE SAVED.

- 2. The climate and soils of Kent County are definitely suitable for the production of a wide range of field, tree and horticultural crops. Kent County has approximately 44,000 acres of good crop land and some 18,000 acres of pasture land immediately available for production.
- 3. The market for food in New Brunswick is about \$490 million, the Atlantic region \$1.5 billion, Quebec \$5 billion, and the Gaspé \$200 million of which over 50 percent is imported from outside the region providing a large local market opportunity for Kent County products.
- 4. The local deficit in food production in New Brunswick alone offers an opportunity for increased production in Kent County of approximately 2,200 to 5,000 acres of vegetables and some 24,000 acres of feed grains, and 10,000 acres of hay to support an increase of some 5,400 beef cattle, 21,000 hogs and 1.8 million chickens.
- 5. The increased production would total some \$12 million at the farm level and some \$20 million at the retail level generating some \$47 million of economic activity.
- 6. At the farm level in Kent County some 1,000 jobs would be created paying out some \$10 million in salaries annually. Through the marketing system to the retail level another 2,700 jobs would be created paying some \$27 million in salaries annually.
- 7. The increased incomes in New Brunswick would result in additional tax incomes to governments of some \$5 million annually.
- 8. The people in Kent are its richest resource. They have a lot to say and should be listened to. They do not want to leave Kent; they are Kent's future.
- 9. Government institutions have note been as supportive of the people of Kent as is warranted and required if development is to be achieved.
- 10. There are many agricultural opportunities facing farmers in Kent, from vegetables and fruits to beef, hogs and poultry. Excellent opportunities exist for the production of feed grains which could support a substantial livestock industry in

Kent and eastern New Brunswick. Additional opportunities exist in sheep, honey and horses.

- 11. Government policies when applied to Kent, have tended to not be development policies but rather stabilization policies maintaining the status quo.
- 12. There has been no integration of government expenditures in Kent County aimed at specific development objectives. These programs have tended to be ad hoc and socially oriented and often at cross purposes.
- 13. A strategy for development must be established for Kent County by the people of Kent and all future government programs must adhere to the objectives and procedures outlined within the strategy.

RECOMMENDATIONS

- 1. That the federal and provincial governments and the people of Kent go on record committing themselves to a consciencious long term agricultural development effort in Kent County.
- 2. The establishment of the Kent County Development Association, organized and run by the people to speak on behalf of the people and the governments recognize this body as the main spokesman for the development in Kent County and that the activity of all government staff in Kent be in line with the development plan for the county as outlined by this association.
- 2A. That the Kent County Pilot Project finance the set up and operation of the Kent County Development Association.
- 3. The establishment of an inter-organizational federal-provincial-people committee to coordinate government support for development programs as outlined by the Kent County Development Association.
- 4. That the Kent County Development Association, in co-operation with local governments, undertake a long term contractual agreement with an experienced agriculture and food marketer on an incentive basis of a basic salary and incentive for success. The federal and provincial departments of agriculture should put at the disposal of this marketer and the Development Association technical experts as required.
- 5. That the Kent County Development Association enter into a long term contractural agreement with a top agricultural production specialist who is highly competent in production of all crops as well as livestock. Special emphasis must be given to his ability to motivate and lead farmers. He should be compensated on an incentive basis as is the marketer.
- 6. The provincial department of Agriculture and Rural Development should provide back up support for the association production man through its agricultural representative service and its research activities. All activity of government staff with respect to agricultural production should be coordinated with this individual. The association production man should attempt to apply the county agricultural development plan on a regional and farm basis whereby production planning and development would be worked out on an individual farm basis.
- 7. That the Kent County Development Association hire senior bilingual agricultural students from Laval University, the Nova Scotia Agricultural College, and Macdonald College during the summer months to help design individual development plans for each farmer seriously looking to the future. These students should be supported by both the federal and provincial Departments of Agriculture and be able to work with the farmers in their own language.

- 8. The establishment of demonstration farms in Kent County for hogs, beef, and vegetables, grain and forages through contractual arrangements with local farmers and the continued support in their operation by the Kent County Development Association and the department of Agriculture.
- 9. That the New Brunswick Department of Agriculture and Rural Development in co-operation with the Kent County Development Association, contract with Laval Univertisy, Nova Scotia Agricultural College, Macdonald College or Memramcook Institute for a series of short courses on agricultural production to be held at several locations throughout Kent County during the late fall or winter.
- 10. That the federal agriculture research station in Fredericton undertake immediately the development of new varieties of grain, forages, and vegetables specifically adapted to the Maritimes.
- 11. That the present 4-H program in Kent County be expanded into the school system and that students be encouraged to participate.
- 12. That the New Brunswick Department of Agriculture in co-operation with the Kent County Development Association introduce a farm management and planning service whereby annual on farm visits are made.
- 13. That the Province of New Brunswick impose a freeze on the sale of land out of agriculture in Kent until such time as some of the new initiatives in agricultural development have had a chance to encourage the continuation of agriculture in Kent, and that the province seriously consider the establishment of a land bank where farmers could either purchase land or lease it from the bank on a long term basis at a charge of lower than the normal rate of interest.
- 14. That the New Brunswick Department of Agriculture in co-operation with the Kent County Development Association contract with Laval University, Nova Scotia Agricultural College, Macdonald College or Memramcook Institute for a series of short courses on farm management to be held at several locations throughout Kent County during the late fall and winter.
- 15. That the New Brunswick Department of Education consider the inclusion of introductory courses in agriculture and rural development at the high school level in rural regions for interested students.
- 16. That the New Brunswick Departments of Agriculture and Education proceed immediately to re-establish an agricultural program at Memramcook Institute on the site of St. Joseph's University farm at the diploma and short course level.

- 17. That the New Brunswick Departments of Agriculture and Education proceed immediately to support the University of Moncton in the establishment of ties with Laval University Faculty of Agriculture.
- 18. In co-operation with the Kent County Development Association, the New Brunswick Department of Agriculture should provide daily market prices and quotations on livestock and crops through the local radio stations in both English and French.
- 19. That the Kent County Development Association in co-operation with the engineering branch of the department of agriculture and local producers cooperative evaluate the present storage, cleaning and packaging capacity and develop a plan for future needs in conjunction with the long term agricultural development strategy.
- 20. That as the need for new storage facilities becomes necessary in order to meet market obligations the province and the federal governments be prepared to provide 50 percent grants and the remainder as a long term low interest loan for the construction of the facilities.
- 21. That the Kent County Development Association marketer prepare in conjunction with the overall production and marketing program, a system which includes as many of the local truckers as possible to aid farmers in getting the product to market.
- 22. The Kent County Development Association marketer should, after identifying market opportunities, communicate to local cooperatives and entrepreneurs with specific information on markets, prices, quantities and specifications.
- 23. That the Department of Regional Economic Expansion and the provincial Department of Industry coordinate closely with the Kent County Development Association marketer and local business concerns on the possibility of local processing.
- 24. That the Kent County Development Association become an agent for marketing Kent County agricultural produce outside Kent, and that the establishment of both long term sales and purchase agreements be the objective of the marketer.
- 25. That the Kent County Development Association be responsible for the promotion of Kent County products both within and outside Kent County.
- 26. That the New Brunswick Department of Agriculture encourage the establishment of local co-operatives by providing legal and financial expertise on a cost basis.
- 27. That the Kent County Development Association work closely with the local co-operative and citizen groups in advancing the co-operative movement in Kent County.

- 28. That in the future, all LIP grants to Kent County be made in co-operation with the Kent County Development Association and be in accordance with the Kent County Development Plan.
- 29. That in the future all New Horizons grants for Kent County be made through the Kent County Development Association and be in accordance with the Kent County Development Plan.
- 30. That in the future, all DREE grants for industrial development in Kent be made in co-operation with the Kent County Development Association and be in accordance with the Kent County Development Plan.
- 31. That the federal and provincial governments award to the Kent County Development Association for each worker taken off the UIC and Welfare role by the Kent County Development Association development projects, one half of the worker's projected UIC or welfare payment he would have received for the first year and one quarter for each of the following 2 years.
- 32. That in the future, all new government financed projects affecting Kent be discussed with the Kent County Development Association and the people of Kent before the fact.
- 33. That all new programs initiated by the federal or provincial governments be coordinated with the Kent County Development Association, and be in accordance with the Kent County Development Plan.
- 34. That the Small Farm Development Program be re-evaluated including its purpose, objective and functions in light of promises of Messrs. Trudeau, Whelan and Olson. That the program with regard to agricultural development in the Atlantic provinces undergo serious changes to adapt it to the requirements of the region.
- 35. That the F.C.C. in co-operation with the Small Farm Development Program establish a program aimed at agricultural development and not merely stabilization.
- 36. That the Department of Regional Economic Expansion publicly commit itself to the development of rural Canada and acknowledge the importance of agriculture in the development process. That DREE work closer with the local people when establishing a development program.
- 37. That the proposed \$1.4 million of the Kent County Pilot Project, for projects be increased to \$2.0 million of the total \$2.7 million program.
- 38. That an overall evaluation be made by the people of Kent of the regional council concept which includes CRASE, as to its objectives and functions in serving the economic development process in Kent and how best such a council can serve it.

- 39. That in economically depressed regions the New Horizon program emphasize economic development projects.
- 40. That in economically depressed regions the Local Initiatives programs emphasize projects which will have long term economic benefits and play a role in overall regional development.
- 41. That the Federal Minister of Agriculture undertake the establishment of a Regional Feed Development Incentive Program for the Atlantic Provinces at an early date.
- 42. That the federal research station in Fredericton be immediately commissioned to undertake research into the development of new crop varieties for the Atlantic Provinces in vegetables and field crops and grains.
- 43. That the New Brunswick Department of Agriculture and Rural Development establish an agriculture and food marketing group as well as re-establish the recently disbanded rural development branch but with a new and enlightened mandate.
- 44. That the New Brunswick Department of Agriculture and Rural Development immediately undertake a complete revamping of the extension branch with clearly defined objectives and functions which will fill the need of both English and French-speaking farmers.
- 45. That the Crop Insurance Program be stimulated by (a) reducing the farmer's share of premiums to 33 1/3 percent at first and increasing up to 50 percent in 5 years, (b) initiating research programs to determine sound insurance rates for a larger number of crops and (c) extending spot loss insurance such as hail to other perils such as floods and washouts.

APPENDIX I

Date of Meeting

Organization

May 22, 1973 (A.M.)

Agriculture Canada

Witnesses Heard

The Honourable E. F. Whelan,

Minister;

Mr. S. B. Williams, Deputy Minister;

Mr. W. T. Burnes, Assistant Director, Farm Management

Farm Credit Corporation

Mr. A. H. Holmes, Director,

Lending Operations

June 13, 1973 (A.M.)

Agriculture Canada

Dr. G. M. Weaver, Director, Research Station, Fredericton, N.B.

Mr. Frank Calder, Acting Superintendent, Experimental Farm, Nappan, N.S.

Dr. Angus MacLean, Program Manager, Environmental Quality, Fredericton Research Station, Fredericton, N.B.

Mr. Arthur LeLacheur, District Supervisor, Plant Products Division, Research Station, Moncton, N.B.

Mr. Bradley Ripley, Acting Chief, Livestock Division, Research Station, Moncton, N.B.

Mr. W. Breckman,
District Supervisor,
Dairy Division,
Research Station, Moncton, N.B.

Mr. V. Lotherington,
District Supervisor,
Poultry Division,
Research Station, Moncton, N.B.

Dr. J. T. Annis,
District Veterinarian,
Health of Animals Branch,
Research Station, Moncton, N.B.

June 13, 1973 (A.M.)

New Brunswick Department of Agriculture & Rural Development Mr. Reginald Gilbert, Deputy Minister;

Mr. Peter Schousboe, Director of Extension;

Mr. Verne Bastin, Secretary, New Brunswick Forest Products Commission

June 13, 1973 (P.M.)

New Brunswick Department of Agriculture & Rural Development Mr. Reginald Gilbert, Deputy Minister;

Mr. Peter Schousboe, Director of Extension;

Mr. Verne Bastin, Secretary, New Brunswick Forest Products Commission Development Policy Secretariat, Office of the Premier, Fredericton, N.B.

Mr. Louis-Philippe Albert, Resource Planning Co-ordinator

Planning & Development Branch, New Brunswick Department of Agriculture & Rural Development, Fredericton, N.B.

Mr. Elliott R. Keizer, Resource Economist; (Joint presentation with Mr. Albert)

Messrs. Charles Gallagher and Alan Graham, M.L.A.'s for Carleton and Kent Counties respectively

FAFAM (La Fédération des Agriculteurs francophones de l'Archidiocèse de Moncton)

Mr. Zoël Arsenault, Secretary

Woodlot Association

Mr. Jean Finnigan, President

Mr. Philippe Bourgeois, agronomist;

Rexton Sub-Federation of Agriculture

Mrs. Flora Sullivan, Secretary

Association of Producers of Christmas Trees for Kent County North

Mr. Yvon Babineau, President

June 14, 1973 (A.M.)

Memramcook Institute

Mr. Edouard A. Arsenault, Director;

Mr. Raymond Robichaud, Co-ordinator, Auxiliary Services

Farm Credit Association (Moncton)

Mr. Bill West, Director

Mr. Edmond Bourgeois, Supervisor of Small Farm Development Plan and Supervisor of FCC for Nova Scotia and Newfoundland N.B. NewStart Inc. June 14, 1973 Mr. Harry Shorten, Director (P.M.)Clément Cormier Miss Adrienne Léger, High School Student Council, Vice-president-Elect; Bouctouche Mr. André Leblanc Maritime Co-operative Mr. William D. Dernier, Services Ltd. Vice-president, General Manager Mr. Charles Yeo, Director Mr. J. E. Walsh, Director Mr. Keith Russell, Manager Public Relations Mr. W. F. Little, Manager Livestock The New Food Products Mr. J. Paul Leblanc, General Manager Co. Ltd. (Rexton, N.B.) Mr. J. Paul Leblanc on behalf of Rabbit Ranchers Enterprises Mr. Roger Vautour, President (Rexton, N.B.) J. D. Irving Ltd. Mr. Dave Oxlay, Woodland Director La Fédération des Caisses Mr. Martin Legère, Director

Populaires Acadiennes

Dec. 4, 1973 (A.M.)	Laval University Quebec	Mr. Victorin Lavoie, Dean, Faculty of Agricultural Science and Nutrition
		Mr. Yves Chartier, Secretary, Faculty of Agricultural Science and Nutrition
	Moncton University, Moncton	Mr. Roland Cloutier, Dean, Faculty of Science
	Cabinet Secretariat, Economic Policy Division, Office of the Premier, Fredericton	Mr. Louis-Philippe Albert, Co-ordinator of Resources Planning
	Nova Scotia Agricultural College	Dr. H. F. MacRae, Principal;
		Mr. J. E. Shuh, Vice-Principal
		Mr. P. Y. Hamilton, Registrar
Dec. 6, 1973 (A.M.)	Agricultural Economics Research Council of Canada	Dr. Gordon A. MacEachern President
April 10, 1974 (A.M.)	University of Prince Edward Island	Dr. Walter Fobes, Associate Professor, Department of Economics
May 11, 1976 (A.M.)	Department of Regional Economic Expansion	Dr. Cliff McIsaac, M.P. Parliamentary Secretary to the Minister;
	Department of Regional Economic Expansion	Mr. J. D. Love, Deputy Minister;
		Mr. Don McPhail, Assistant Deputy Minister for the Atlantic Region

May 20, 1976 (A.M.)

Farm Credit Corporation

Mr. Baldur H. Kristjanson, Chairman;

Mr. J. M. Day, Director, Lending Branch;

Mr. M. E. Andal, Director, Research and Farm Management Branch;

Mr. Jean E. Brassard, Legal Counsel



FIRST SESSION—THIRTIETH PARLIAMENT
1974-76

THE SENATE OF CANADA

STANDING SENATE COMMITTEE

ON

AGRICULTURE

The Honourable HAZEN ARGUE, Chairman

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OF PROCEEDINGS

(Issues Nos. 1 to 36 inclusive)



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- —Andal, Dr. M. E., Director, Research and Farm Management Branch, Farm Credit Corporation
- -Atkinson, R., President, National Farmers Union
- —Bailey, Rod, Chief, Rural Development Services, Agriculture Dept.
- —Baker, C., Director, Manitoba Crop Insurance Corporation
- —Bolger, C. M., Acting Assistant Deputy Minister, Consumer and Corporate Affairs Dept.
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- -Flaten, G., Canadian Federation of Agriculture Executive, Saskatchewan
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- -Friend, Curtis, Executive Secretary, Canadian Feed Manufacturers' Association
- -Fuller, H., Canadian Federation of Agriculture Executive, Nova Scotia
- —Gibson, D. A., Market Operations Division, Grain Marketing Office, Industry, Trade and Commerce Dept.

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- —Goodale, Ralph E., M.P., Parliamentary Secretary to the Minister of Transport and Minister responsible for the Canadian Wheat Board
- —Gorrell, G. M., Director, Crop Insurance, Agriculture Dept.
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- -Inglis, Carmen, Tupperville, Nova Scotia
- -Janssen, W. P., Agriculture Deputy Minister, Manitoba
- —Jarvis, W. E., Assistant Deputy Minister, Production, Marketing, Health of Animals Branch, Agriculture Dept.; Chairman, Agricultural Stabilization Board
- —Jefferson, C. H., Director, Plant Products Division, Agriculture Dept.
- -Johnson, W. G., Legislation Section, Justice Dept.
- —Kirk, D., Executive Secretary, Canadian Federation of Agriculture
- —Kristjanson, Dr. B. H., Chairman, Farm Credit Corporation
- ---Lang, Hon. Otto E., Minister of Justice, Attorney General of Canada
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- -Lorraine, Edward, Truro, Nova Scotia
- —Love, J. D., Deputy Minister, Regional Economic Expansion Dept.
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- —McIsaac, Dr. Cliff, M.P., Parliamentary Secretary to the Minister of Regional Economic Expansion
- -McKay, J. M., President, Alberta Crop Insurance Board
- -McKinnon, Kenneth, Vice-President, Dairy Farmers of Canada
- —MacKinnon, P., Chairman, Legislative Committee, Ontario Wheat Producers' Marketing Board
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- —MacPhail, D. S., Assistant Deputy Minister, Atlantic Region, Regional Economic Expansion Dept.
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- —Tufford, F., Chairman, Board of Directors, Manitoba Crop Insurance Corporation
- -Vogel, G. N., Chief Commissioner, Canadian Wheat Board
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- -Webster, J., Assistant Deputy Agriculture Minister, Saskatchewan
- -Wells, K. F., Assistant Deputy Minister, Health of Animals Branch, Agriculture Dept.
- -Whelan, Hon. Eugene, Minister, Agriculture
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 Young, F., Chairman, Ontario Wheat Producers' Market
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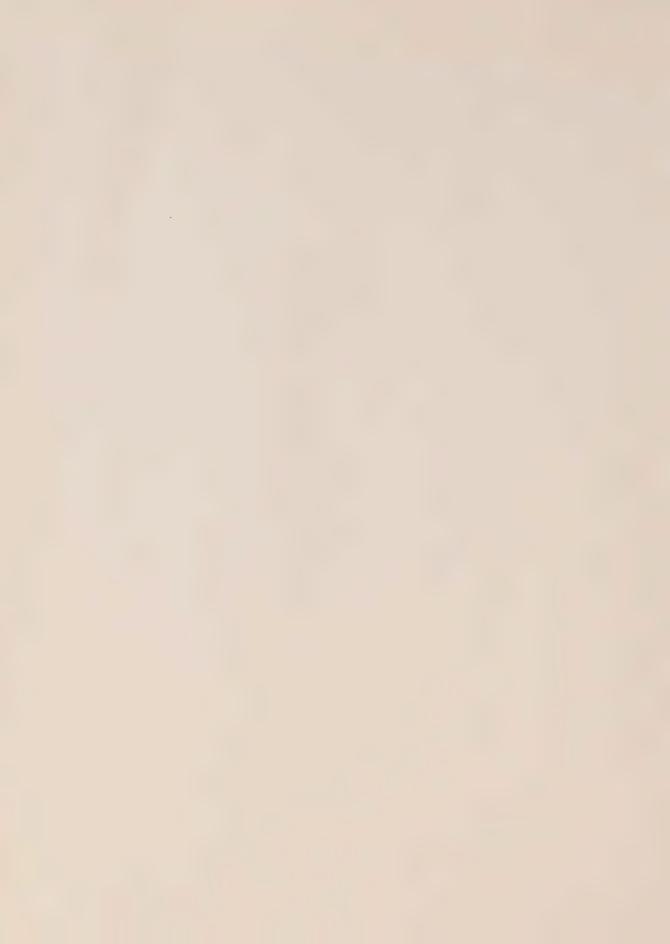
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